Australian Government

Department of Communications and the Arts



COMMS & ARTS

Annual Report 16/17



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Department of Communications and the Arts



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LETTER OF TRANSMITTAL

FOR OFFICIAL USE ONLY

Australian Government

Department of Communications and the Arts

Mike Mrdak AO
Secretary

Senator the Hon Mitch Fifield
Minister for Communications and the Arts
Parliament House
CANBERRA ACT 2600

Dear Minister

I present the Annual Report of the Department of Communications and the Arts (the Department) for the year ended 30 June 2017 for your presentation to the Parliament in accordance with section 63(1) of the *Public Service Act 1999*.

This Report has been prepared in accordance with the provisions of section 46 of the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

In accordance with the Commonwealth Fraud Control Framework, I certify that fraud risk assessments and fraud control plans have been prepared for the Department; appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place for the Department; and all reasonable measures have been taken to deal appropriately with fraud relating to the Department.

Yours sincerely

Mike Mrdak AO
27 September 2017

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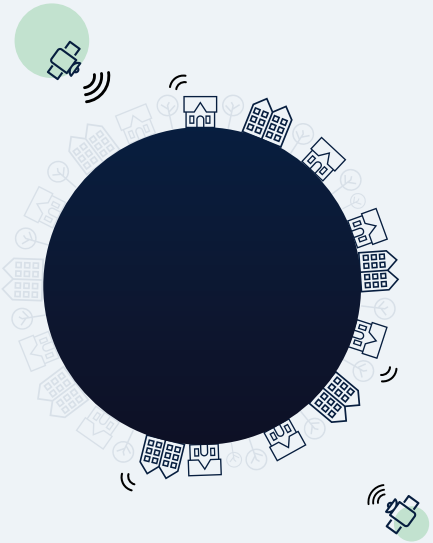
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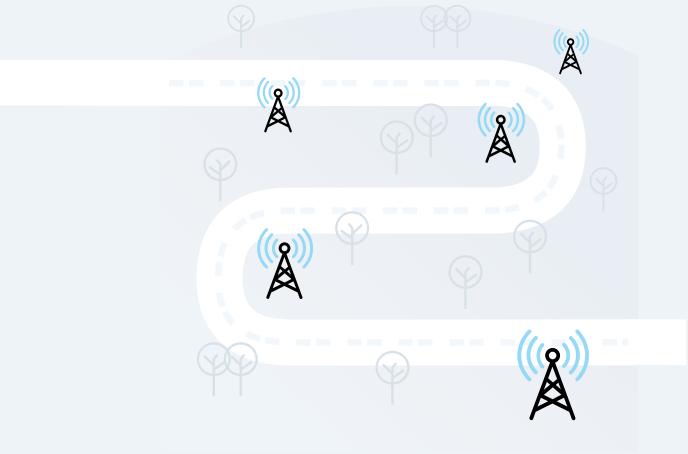
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National Broadband Network

As at 30 June 2017, NBN services were available to two-thirds of Australian homes and businesses outside major urban areas through fixed line, fixed wireless and satellite infrastructure. 2.4 million homes and businesses are already benefiting from connection to the network.





Mobile Black Spot Program

Rounds 1 and 2 of the Mobile Black Spot Program will deliver almost $600 million (GST inclusive) in new investment in mobile infrastructure in regional and remote Australia.

As at 30 June 2017, a total of 203 base stations have been deployed under the program. These 203 base stations are providing improved mobile coverage to an estimated 31,624 premises and 2,256 kilometres of major roads across regional and rural Australia.

Modernising regulatory and policy frameworks

In 2016–17, the Department supported our Ministers in establishing strong foundations for a range of significant reforms that will modernise our relationship with the communications and creative sectors, relating to content, copyright, broadcasting, spectrum and support for cultural and artistic endeavours.



Indigenous repatriation

In 2016–17, the Department supported the return of Australian Indigenous ancestral remains from seven overseas collecting institutions. Representatives from four communities participated in repatriation handover ceremonies in London and Berlin.

Sixteen Australian Indigenous ancestral remains were returned from overseas institutions to community representatives through the support of the Department.



Supporting Australian artistic and cultural endeavours

In 2016–17, the Department continued to support Australian artistic and cultural endeavours, administering grant and program funding valued at $165.4 million.

GUIDE TO THE REPORT

This report outlines the operations and performance of the Department of Communications and the Arts for the financial year ended 30 June 2017. It has been prepared in accordance with the provisions of section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Note that figures in tables and in the text of this report may be rounded. Figures in the text are generally rounded to one decimal place, while those in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Section 1—Overview

Includes a review of the year by the Secretary, and information about the Department—our purpose, strategic priorities, outcomes and programs, organisational structure, ministerial arrangements and overview of our portfolio.

Section 2—Annual performance statements

Reports on our performance during the year as required under paragraph 39(1)(b) of the PGPA Act and section 16F of the Public Governance, Performance and Accountability Rule (PGPA Rule). We demonstrate how the Department has performed during the year in relation to our purpose, outcomes and programs, and strategic priorities.

Section 3—Management and accountability

Provides information about corporate governance and performance, our people, and financial management.

Section 4—Financial statements

Contains our audited financial statements for 2016–17.

Section 5—Appendices

Contains supplementary information on public interest contracts and grants; agency resource statement and expenses for outcome; legislation and statutory instruments; staff statistics; and advertising and market research.

Section 6—Reference information

Provides a list of abbreviations and acronyms, a glossary of terms, compliance index and an alphabetical index.

SECTION 01
OVERVIEW

This section provides a review of the year by the Secretary, and information about the Department—our purpose, strategic priorities, outcomes and programs, organisational structure, ministerial arrangements and overview of our portfolio.

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Mike Mrdak AO, Secretary

Secretary's review

2016–17 has been a year of reform, progress and change for the Department of Communications and the Arts.

This report marks my first as Secretary since taking over from Dr Heather Smith PSM on 18 September 2017. I would like to acknowledge Heather's contribution to and leadership of this portfolio since her commencement as Secretary in January 2016. Through her leadership, the Department was well placed to deliver on its outcomes in 2016–17, as detailed in this report. She led significant reforms in communications infrastructure and broadcasting policy and has built a strong Department culture.

The ever-changing nature of technology and digital disruption present us with a myriad of opportunities, along with challenges, as the policy and regulatory issues we used to think of as standalone are increasingly interlinked. In this context, the Department will continue to be focused on maintaining clear alignment between the work of this portfolio and the broader Australian Government agenda to support innovation, productivity and growth.

The communications sector is now a layered digital ecosystem where services, applications and content are combined and connected in various ways to offer new capabilities and products to consumers, rather than vertical silos of industry or devices. At the same time, the arts sector is embracing digital disruption to create new works, businesses and ways of operating.

This year has seen an important body of work progressed to support our Ministers in establishing strong foundations for a range of significant reforms to be delivered over the coming years. These reforms will modernise our relationship with the communications and creative sectors, relating to content, copyright, broadcasting, spectrum and support for cultural and artistic endeavours.

A key achievement was the Government's announcement of a comprehensive package of media, broadcasting and content reforms in May 2017. The package aims to improve the sustainability of Australia's free-to-air broadcasting sector, protect children from exposure to gambling advertising and support the creation of high-quality Australian content. Other elements of the package include adjustments to the anti-siphoning regime and funding to support under-represented sports on pay TV.

The Department also focused on progressing the Government's spectrum reform agenda to implement the recommendations of the 2015 Spectrum Review. In May 2017, a consultation package was released on reforms to modernise and simplify Australia's spectrum management framework. We are now positioned to make significant progress in implementing reform arrangements in 2017–18.

The passage of the Copyright Amendment (Disability Access and Other Measures) Bill 2017 through Parliament in March 2017 was another significant milestone for the Department. These reforms streamline and simplify the copyright framework for the disability, education, library and archive sectors and provide the wider Australian community with fair and reasonable access to copyright material, while respecting the interests of copyright holders. The Bill is an important next step in working with stakeholders to modernise copyright law and follows the ratification of the Marrakesh Treaty in 2015–16. The recently released Government response to the Productivity Commission's report on intellectual property arrangements supports a number of the report's recommendations and acknowledges the importance of further consultation with stakeholders on future copyright reforms.

The National Broadband Network (NBN) provides access to high-speed broadband for Australian homes and businesses. In 2016–17, we continued our role in supporting the provision of NBN infrastructure to Australians, monitoring the work of NBN Co Ltd (NBN Co), maintaining policy and regulatory settings and providing advice to the Minister for Communications as one of the two shareholder ministers and the Minister for Regional Communications. This Department worked closely with the Department of Finance to put in place arrangements for a Commonwealth loan to NBN Co valued at up to $19.5 billion, which will commence in October 2017.

A highlight of the NBN rollout in 2016–17 was the successful launch of the Sky Muster II satellite in October 2016. Nearly 75,000 premises had active broadband services over the Sky Muster satellites at the end of June 2017. Also at this time, the NBN was available to over 5.7 million premises, marking the halfway point of the rollout.

Another major piece of work completed this year was the telecommunications reform package, with legislation introduced into Parliament in late June 2017. The reform package is designed to improve the underlying competitive framework in which high-speed broadband infrastructure providers operate. It will establish a statutory infrastructure provider regime to ensure people in Australia can access a high-speed broadband service, no matter where they live or work, and will enable services in regional areas to be sustainably funded into the future through the introduction of the Regional Broadband Scheme.

Inadequate mobile phone coverage remains a significant issue for Australians living, working and travelling in regional areas of the country. In 2016–17, the Department continued implementation of the Mobile Black Spot Program, progressing the build phase for round 1 which started in December 2015 and starting the build phase for round 2 in early 2017. At the end of June 2017, an estimated 31,624 premises and 2,256 kilometres of major roads were benefiting from improved mobile coverage.



The Copyright Amendment (Disability Access and Other Measures) Bill is an important next step in working with stakeholders to modernise copyright law.

As a result of this program, regional locations and small communities across the country will have access to improved mobile phone and data coverage and greater competition, supporting education, business growth and keeping in contact with family and friends.

This year also saw changes to the Government's support for the arts sector to help pave the way for increased focus on the work of connecting the arts sector to the broader innovation agenda. In March 2017, the Government announced that the majority of funds would be transferred from the *Catalyst—Australian Arts and Culture Fund* to the Australia Council. The Department worked with the Australia Council to facilitate a smooth transition to the new arrangements, which will see the Department retain $2 million per year to provide an alternative avenue of funding for organisations not in receipt of Australia Council support.

Over the course of the year, the Department continued to work closely with our National Collecting Institutions (NCIs), which play an important role in preserving Australia's cultural heritage. A key focus has been to support our NCIs upgrade their infrastructure and operations through an additional $64.9 million from the Public Service Modernisation Fund. Our NCIs are more relevant and accessible than ever before. The most recent data show that Australia's collecting institutions attracted almost 11 million visitors in 2016–17 and achieved a satisfaction rate of 88 per cent.

In 2016–17, around 80 organisations received funding under our Indigenous Languages and Arts Program.

This Department delivers a range of programs that encourage excellence in the arts, help to protect our cultural heritage and promote public access to, and participation in, arts and culture. In 2016–17, around 80 organisations received funding under our Indigenous Languages and Arts Program, which supports the revival, preservation and celebration of Indigenous language and arts. The importance of this program was further highlighted through the 2017 National Aborigines and Islanders Day Observance Committee (NAIDOC) week theme 'Our Languages Matter', which recognised the importance of Aboriginal and Torres Strait Islander languages.

It was also an important year for Indigenous repatriation, with the Department supporting two repatriation handover ceremonies in Berlin and London, involving seven institutions. At these ceremonies, Australian Indigenous ancestral remains were returned from German and United Kingdom institutions to Australian Indigenous community members and direct descendants. Returning ancestral remains to Country helps promote healing, justice and reconciliation for Aboriginal and Torres Strait Islander peoples. These ceremonies represented the culmination of complex negotiations and community consultations led by the Department.

Internally the Department has been on the move, with staff based at Market Street in Sydney relocating to our Surry Hills office at the end of March 2017, and our Canberra-based staff relocating in late July 2017 from our Forrest-based building to the Nishi building in New Acton. These changes bring exciting opportunities to explore and adopt a set of technologies that will enable us to work better as one organisation, despite being physically located across three offices in Canberra, Sydney and Melbourne and having staff in several other locations across Australia. These technologies are in alignment with our policies to encourage different ways of working, and enable a more flexible, inclusive and collaborative workplace culture.

The Department has continued to strengthen its culture and capability by enhancing diversity and inclusion. In early 2017, the Department launched its Diversity and Inclusion Strategy. The strategy promotes inclusive leadership, a respectful culture, and flexible work through digital technologies, which will help us to attract, recruit, develop and retain a diverse workforce. Across the year, the Department launched a number of action plans that support this broader strategy, including the Gender Action Plan and the Disability Access and Inclusion Action Plan. The Department will continue to build on this in 2017–18.

The Department also worked on realigning its strategic priorities to better reflect the synergies between the arts and communications sectors. This resulted in the 2017–18 Corporate Plan reflecting three strategic priorities—'consumer' 'advancing the sector' and 'content and culture'—to guide our activities over the coming year and beyond.

Looking forward, some of our key areas of focus in 2017–18 are:

- delivering and implementing the Government's reform agenda and several reviews relating to the communications and arts sectors
- continuing our support of the NBN rollout, with an increasing focus on the consumer experience
- aligning the work of the portfolio with the broader government agenda to encourage productivity, growth and innovation, including supporting the links between innovation, arts and creativity
- continuing to support Australia's vibrant creative sectors
- working more collaboratively and innovatively with industry and consumers, and across government, in all areas of our work
- continuing to strengthen our research and evidence base for policy through the Bureau of Communications and Arts Research
- taking advantage of the opportunities presented by the move in Canberra to our new premises and in Sydney of staff to Surry Hills to grow our culture, capability and capacity.

I thank all staff for their contributions over the year and I am looking forward to working productively with our portfolio agencies, stakeholders and staff to achieve outcomes in the year ahead.

Mike Mrdak AO
Secretary

Our purpose

We advise the Government on issues relating to communications and the arts. We support the Government to promote economic growth and social benefits by helping all Australians realise the opportunities of digital technologies and communications services.

The Department fosters a vibrant and diverse Australian culture. We promote access to, and participation in, a wide range of cultural and artistic endeavours for all Australians.

Our strategic priorities

These are the five strategic priorities for the Department as described in our 2016–17 Corporate Plan.

- **Ensure efficient investment in innovation infrastructure**—Australia needs efficient investment in infrastructure that supports innovation and productivity. This includes high-quality, reliable and secure communications networks, and artistic and cultural institutions that foster creativity and reflect changing consumer preferences for how services are accessed. Infrastructure investment and availability must occur nationally, with careful consideration of the incentives and models for service delivery in regional and remote Australia.
- **Harnessing digital disruption**—Digital disruption presents both challenges and opportunities. The communications sector plays an integral role in enabling the digitally driven transition of the Australian economy. Digital technologies are transforming traditional business models and creating new competitive landscapes.
- **Ensuring access to diverse Australian content**—While digital platforms are providing new ways to consume media, Australians still expect access to the full range of Australian content. The Department advises the Government on appropriate and sustainable funding models and incentives to support the development and distribution of high-quality Australian content.
- **Foster Australian arts and culture**—Australia's arts sector is important for all Australians. The Government provides opportunities for Australian communities to learn about, enjoy and participate in a wide range of artistic and cultural endeavours as well as supporting Indigenous arts and culture, Australian literature and the performing arts.
- **Strengthening our capability**—We are committed to developing the talents and capabilities of our people. Our capabilities contribute directly to achieving our strategic priorities and delivering enhanced outcomes for the Australian community.

Our 2017–18 Corporate Plan has been revised to reflect three strategic priorities: 'consumer', 'advancing the sector' and 'content and culture'.

Outcomes and programs

In 2016–17, we administered two outcomes and two programs (Table 1.1).

Table 1.1 Outcome and program structure

Outcome	Program	Source*
Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services	Program 1.1: Digital Technologies and Communications Services	Portfolio Budget Statements 2017–18, p. 6
Outcome 2: Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression	Program 2.1: Arts and Cultural Development	Portfolio Budget Statements 2017–18, p. 6

* The 2017–18 Portfolio Budget Statements were published on 9 May 2017 and incorporate the 2016–17 reporting period.

Ministerial arrangements

Senator the Hon Mitch Fifield was Minister for Communications and Minister for the Arts for the entire reporting period. Senator the Hon Fiona Nash was Minister for Regional Communications for the entire reporting period.

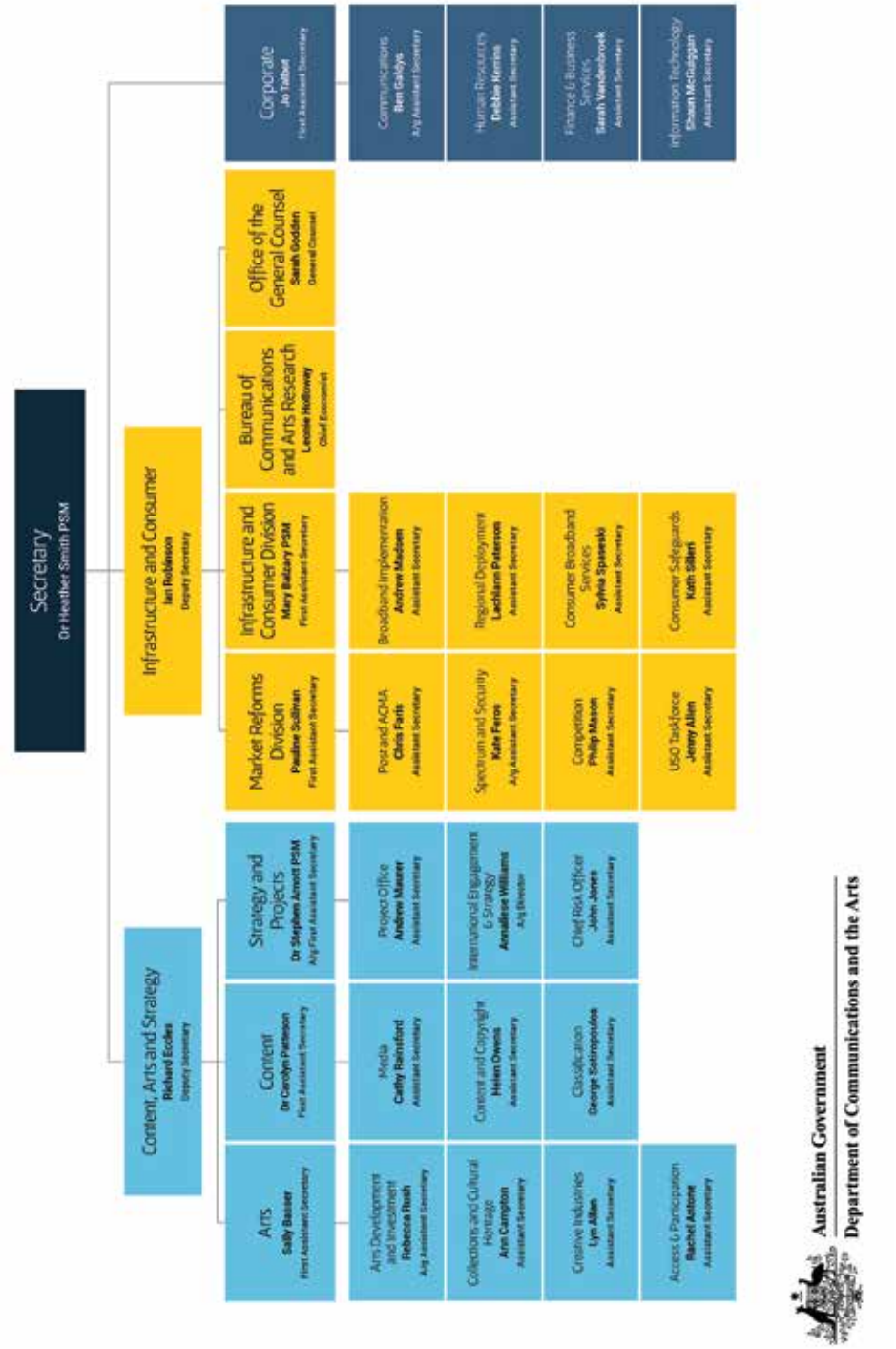
Department structure and functions

Dr Heather Smith PSM was Secretary for the entire reporting period. On 18 September 2017, the Prime Minister, the Hon Malcolm Turnbull MP, appointed Mike Mrdak AO to the position of Secretary of the Department of Communications and the Arts.

The Department restructured in April 2017 to align areas responsible for the National Broadband Network (NBN), regional broadband, NBN migration and consumer protection, with a dedicated branch to focus on consumer broadband services—all within the Infrastructure and Consumer Division. Other communications policy areas were brought together within the Market Reforms Division, including a new taskforce that was established to prepare the Government's response to the Productivity Commission's inquiry into the universal service obligation.

Organisation chart

Figure 1.1 Department of Communications and the Arts organisation chart as at 30 June 2017



Secretary and Executive Office

- Secretary of the Department of Communications and the Arts: Dr Heather Smith PSM
  (note: Mike Mrdak AO became Secretary effective from 18 September 2017)
  - Corporate Division
- Deputy Secretary, Content, Arts and Strategy: Richard Eccles
  - Content Division, Arts Division, Strategy and Projects Division
- Deputy Secretary, Infrastructure and Consumer: Ian Robinson
  - Infrastructure and Consumer Division, Market Reforms Division, Bureau of Communications and Arts Research, Office of the General Counsel.

Arts

The Arts Division administers Program 2.1 and implements the strategic priority 'foster Australian arts and culture'.

First Assistant Secretary—Sally Basser

Content

The Content Division, together with the Infrastructure and Consumer Division and the Market Reforms Division, administers Program 1.1 and implements the strategic priorities 'harnessing digital disruption' and 'ensuring access to diverse Australian content'.

First Assistant Secretary—Carolyn Patteson

Strategy and Projects

The Strategy and Projects Division is responsible for leading risk and audit functions in the Department, and delivering short-to-medium-term policy projects. It also leads our engagement with international telecommunications and internet governance organisations.

Acting First Assistant Secretary—Dr Stephen Arnott PSM

Market Reforms

The Market Reforms Division, together with the Content Division, and the Infrastructure and Consumer Division, administers Program 1.1 and implements the strategic priorities 'ensure efficient investment in innovation infrastructure' and 'harnessing digital disruption'.

First Assistant Secretary—Pauline Sullivan

Infrastructure and Consumer

The Infrastructure and Consumer Division, together with Content Division and Market Reforms Division, administers Program 1.1 and implements the strategic priorities 'ensure efficient investment in innovation infrastructure' and 'harnessing digital disruption'.

First Assistant Secretary—Mary Balzary PSM

Bureau of Communications and Arts Research

The Bureau of Communications and Arts Research supports the strategic priority 'strengthening our capability' by undertaking research and providing economic and data analysis on communications and arts portfolio issues to support evidence-based policy development and advice.

Chief Economist—Leonie Holloway

Office of the General Counsel

The Office of the General Counsel manages the preparation and delivery of legal services, performs selected professional services and provides strategic advice to the Department.

General Counsel—Sarah Godden

Corporate

The Corporate Division supports the Department's strategic priorities and performance. The division delivers the people capability, enterprise resource planning and budget management, and a secure and integrated information environment, and provides a strategic and digital communications function to support the Department in fulfilling its strategic priorities.

First Assistant Secretary—Jo Talbot

Communications and the Arts portfolio

During 2016–17, we worked with 18 entities in the Communications and the Arts portfolio.

Communications

Australia Post

Australia Post is a government business enterprise wholly owned by the Australian Government. Consistent with its community service obligations, it provides a high-quality mail service to all Australians wherever they live or do business. It also operates parcel, e-commerce and logistics businesses.

Table 1.2 Communications and the Arts portfolio as at 30 June 2017

Communications	Arts
• Australian Postal Corporation (Australia Post)	• Australia Council
• Australian Broadcasting Corporation	• Australian Film, Television and Radio School
• Australian Communications and Media Authority	• Australian National Maritime Museum
• NBN Co Ltd	• Bundanon Trust
• Office of the eSafety Commissioner	• Creative Partnerships Australia
• Special Broadcasting Service Corporation	• Museum of Australian Democracy at Old Parliament House
	• National Film and Sound Archive of Australia
	• National Gallery of Australia
	• National Library of Australia
	• National Museum of Australia
	• National Portrait Gallery of Australia
	• Screen Australia

We advised the Government on the postal sector, including the community service obligations for postal services, and the implementation of the postal reforms that came into effect in January 2016. During 2016–17, we led Australia's delegation to the Universal Postal Congress where we negotiated remuneration rules to increase Australia Post's revenue from carriage of international mail and won election to its two governing councils. Together with the Department of Finance we also advised the Government in its capacity as the shareholder of Australia Post.

www.auspost.com.au

Australian Broadcasting Corporation (ABC)

The ABC is a national broadcaster. It contributes to and reflects Australia's national identity, fosters creativity and the arts, and encourages cultural diversity. The ABC is an integral part of the radio, television and online production industries, and the news and information media.

We provided advice about ABC policy and triennial funding matters, the availability and rollout of ABC services, and ABC Board appointments.

www.abc.net.au

Australian Communications and Media Authority (ACMA)

The ACMA is responsible for regulating broadcasting, radiocommunications, telecommunications and online content in accordance with its statutory requirements. The ACMA works with stakeholders to maximise the public benefit, including the extent to which the regulatory framework addresses the broad concerns of the community, meets the needs of industry, and maintains community and national interest safeguards.

We advised the Government on the policy and legislative framework administered by the ACMA, including appropriate consumer safeguards relating to the provision of content and communications services, spectrum management, media ownership and control, and esafety. We finalised the report on the review of the ACMA. The Government indicated its support for the recommendations and it publicly released the final ACMA review report in May 2017. Implementation of the recommendations is underway.

www.acma.gov.au

NBN Co Ltd (NBN Co)

NBN Co is a government business enterprise, wholly owned by the Australian Government. Its role is to plan, roll out and operate Australia's NBN, which will provide all Australians with access to high-speed broadband.

We advised the Government on issues impacting the NBN, including experiences of regional and metropolitan Australia; legislative, regulatory and financial frameworks and requirements; and market trends and sectoral developments. Together with the Department of Finance we also advised the Government in its capacity as the shareholder of NBN Co.

www.nbnco.com.au

Office of the eSafety Commissioner

The office supports the eSafety Commissioner. It leads online safety advice and education for the Government and operates a complaints system so that Australian children and young people, or their representatives, can report cases of serious cyberbullying. The office also provides advice and resources on online safety specifically for women, and training to frontline workers to assist women and children at risk of family or domestic violence.

We assisted the Government with the recruitment and selection of the new eSafety Commissioner, who commenced on 16 January 2017. We prepared the *Enhancing Online Safety for Children Amendment Act 2017*, which commenced on 23 June, to expand the general functions of the then Children's eSafety Commissioner from online safety for children to online safety for all Australians, irrespective of age. The amendments also changed the title of the 'Children's eSafety Commissioner' to the 'eSafety Commissioner', to reflect the expanded functions, and changed the title of the *Enhancing Online Safety for Children Act 2015* to the *Enhancing Online Safety Act 2015*.

www.esafety.gov.au

Special Broadcasting Service Corporation (SBS)

SBS is a national broadcaster. It provides multicultural and multilingual services that inform, educate and entertain all Australians. Its mission is to contribute to a more cohesive, equitable and harmonious Australia through its television, radio and online services.

We advised on SBS policy and funding matters, the availability and rollout of SBS services, and SBS Board appointments.

www.sbs.com.au

Arts

Australia Council

The Australia Council's purpose is to champion and invest in Australian arts. It has a national leadership role in supporting and building Australia's arts ecology by fostering excellence in the arts and increasing national and international engagement with Australian art and artists.

We provided support to the Government through oversight of governance and policy matters relating to the Australia Council.

www.australiacouncil.gov.au

Australian Film, Television and Radio School (AFTRS)

AFTRS supports the development of a professional screen arts and broadcast culture in Australia, including through the provision of specialist industry-focused education, training and research.

We provided advice on screen policy and governance matters to the Government and AFTRS.

www.aftrs.edu.au

Australian National Maritime Museum (ANMM)

The ANMM seeks to increase knowledge, appreciation and enjoyment of Australia's maritime heritage through managing the National Maritime Collection and staging programs, exhibitions and events.

We provided support to the Government on matters relating to the ANMM's governance, funding and events, and appointments to its governing council.

www.anmm.gov.au

Bundanon Trust

The Bundanon Trust supports arts practice and engagement with the arts through its residency, education, and exhibition and performance programs. It also holds an extensive art collection of around 4,000 works, including a large collection of artworks gifted to the nation by Arthur and Yvonne Boyd. In preserving the natural and cultural heritage of its site, Bundanon Trust promotes the value of landscape in all our lives. It is a Commonwealth company limited by guarantee and a registered charity.

We provided advice to Bundanon Trust's governing board on matters relating to the organisation's governance, funding, heritage listing, events and appointments.

www.bundanon.com.au

Creative Partnerships Australia

The role of Creative Partnerships Australia is to foster a culture of private sector support for the arts in Australia to grow a more sustainable, vibrant and ambitious cultural sector for the benefit of all Australians.

The Government funds Creative Partnerships Australia to deliver coaching, mentoring and training services and matched funding programs that help artists and arts organisations secure private sector support.

We provided support to the Government through oversight of governance and policy matters relating to Creative Partnerships Australia.

www.creativepartnershipsaustralia.org.au

Museum of Australian Democracy at Old Parliament House (MOAD)

The role of MOAD is to promote the value of Old Parliament House as a significant heritage site while ensuring the building and heritage collections are conserved for future generations. The museum also plays a significant role in exploring and communicating the intrinsic value of democracy.

We provided support to the Government on matters relating to MOAD's governance, funding and events, and appointments to its governing board.

www.moadoph.gov.au

National Film and Sound Archive of Australia (NFSA)

The NFSA collects and preserves Australian film, recorded sound and broadcast, and their associated documents and artefacts. It shares the collection with audiences across Australia and overseas.

We provided support to the Government on matters relating to the NFSA's governance, funding and events, and appointments to its governing board.

www.nfsa.gov.au

National Gallery of Australia (NGA)

The NGA aims to increase understanding, knowledge and enjoyment of the visual arts by providing access to, and information about, works of art locally, nationally and internationally.

We provided support to the Government on matters relating to the NGA's governance, funding and events, and appointments to its governing council.

www.nga.gov.au

National Library of Australia (NLA)

The NLA aims to ensure that all Australians can access, enjoy and learn from a national collection that documents Australia's life and society.

We provided support to the Government on matters relating to the NLA's governance, funding and events, and appointments to its governing council.

www.nla.gov.au

National Museum of Australia (NMA)

The NMA develops and maintains a national collection of historical material, and increases awareness and understanding of Australia's history and culture.

We provided support to the Government on matters relating to the NMA's governance, funding and events, and appointments to its governing council.

www.nma.gov.au

National Portrait Gallery of Australia (NPGA)

The NPGA aims to increase the understanding and appreciation of the Australian people—their identity, history, creativity and diversity—through portraiture.

We provided support to the Government on matters relating to the NPGA's governance, funding and events, and appointments to its governing board.

www.portrait.gov.au

Screen Australia

Screen Australia promotes audience engagement and supports a creative, innovative and commercially sustainable screen industry through the funding and promotion of culturally diverse Australian screen product.

We provided advice on screen policy and governance matters to the Government and Screen Australia.

www.screenaustralia.gov.au

SECTION 02
ANNUAL PERFORMANCE STATEMENTS

Reports on our performance during the year as required under paragraph 39(1)(b) of the PGPA Act and section 16F of the Public Governance, Performance and Accountability Rule (PGPA Rule). We demonstrate how the Department has performed during the year in relation to our purpose, outcomes and programs, and strategic priorities.

STATEMENT OF PREPARATION

Annual performance statements—statement of preparation

I, Mike Mrdak, as the accountable authority of the Department of Communications and the Arts (the Department), present the 2016–17 annual performance statements of the Department, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Mike Mrdak AO
Secretary
17 September 2017

Purpose and performance criteria

We fulfil our purpose by addressing two outcomes, as described in the Portfolio Budget Statements (PBS). Figure 2.1 shows our purpose, outcomes and programs and strategic priorities across our annual performance documents.

Figure 2.1 Relationship between purpose, outcomes and programs and strategic priorities

Corporate Plan

Purpose

We advise the Government on issues relating to communications and the arts. We support the Government to promote economic growth and social benefits by helping all Australians realise the opportunities of digital technologies and communications services. The Department fosters a vibrant and diverse Australian culture. We promote access to, and participation in, a wide range of cultural and artistic endeavours for all Australians. (Source: 2016–17 Corporate Plan, p. 4)

Portfolio Budget Statement

2017–18 Budget Outcomes and Programs[1]

Outcome 1:	**Outcome 2:**
Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services (Source: 2017–18 PBS p. 20)	Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression (Source: 2017–18 PBS p. 28)
Program 1.1: Digital Technologies and Communications Services (Source: 2017–18 PBS p. 24)	**Program 2.1:** Arts and Cultural Development (Source: 2017–18 PBS p. 29)

Annual Performance Statement

Strategic Priorities

1. Ensure efficient investment in innovation infrastructure	**(p. 20)**
2. Harnessing digital disruption	**(p. 31)**
3. Ensuring access to diverse Australian content	**(p. 39)**
4. Foster Australian arts and culture	**(p. 45)**
5. Strengthening our capability	**(p. 50)**

1 The 2017–18 PBS was published on 9 May 2017 and incorporates the 2016–17 reporting period.

Analysis of performance against purpose

Ensure efficient investment in innovation infrastructure

Fixed line and mobile communications networks are a key part of Australia's innovation infrastructure. These networks support services that are essential in the modern world, including voice and video communications and access to the internet.

Access to ubiquitous, fit-for-purpose communications networks is an important building block for innovation, supporting new products, services and business models.

The Department is responsible for developing and implementing policies and programs that contribute to the expansion of innovation infrastructure across Australia. This includes supporting NBN Co Ltd (NBN Co) to roll out and operate the National Broadband Network (NBN), delivering the Mobile Black Spot Program, supporting Australia's National Collecting Institutions (NCIs) and progressing spectrum and other regulatory reforms to support private sector investment in future technologies.

Table 2.1 Performance criteria outcomes

Criteria	Target	Source	Outcome
Provide strategic advice and policy leadership to achieve the Government's plan for a fast and affordable NBN.	Oversee NBN rollout progress towards a goal of completion by 2020	Corporate Plan 2016–17 p. 9 PBS 2017–18, p. 24	**Met.** See analysis on p. 23
In collaboration across Government and industry, we will help ensure that communications infrastructure is secure and resilient and able to support innovation across the economy.	Help ensure that communications infrastructure is secure, resilient and supports innovation through collaboration with Government and industry	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	**Met.** Over the year: • We provided policy advice on telecommunications sector security reform, including the Telecommunications and Other Legislation Amendment Bill 2016 and revised Australian Government Cyber Incident Management Arrangements. • We provided secretariat support for two Communications Sector Group meetings to foster business-government information sharing to improve the resilience, continuity and restoration of critical infrastructure and essential services during a major event.

Criteria	Target	Source	Outcome
Deliver the Government's Mobile Black Spot Program to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities.	Deliver the Mobile Black Spot Program to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	**In progress.** See analysis on p. 26
We work with Australia's National Collecting Institutions (NCIs) to ensure they are accessible, support research communities and leverage digital technologies in delivering services.	NCIs are accessible, support research communities and leverage digital technologies in delivering services	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 30	**Met.** See analysis on p. 28 and p. 47
We deliver on the Government's objective of reforming spectrum policy arrangements to reduce regulatory burden and improve access to new technologies.	Implement spectrum policy reform arrangements	Corporate Plan 2016–17, p. 9 PBS 2017–18, p. 24	**In progress.** See analysis on p. 29

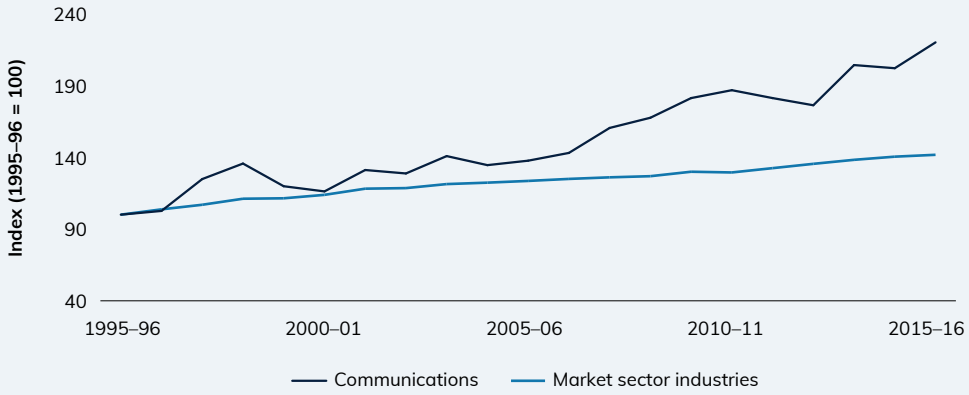
FOCUS ON

THE ECONOMIC CONTEXT: COMMUNICATIONS SECTOR

The communications sector acts as a critical enabler of other sectors of the Australian economy. The importance of the sector to Australia's economic performance can be shown by comparing it to other sectors in terms of labour productivity and innovation. In the two decades from 1995–96 to 2015–16, labour productivity in the sector more than doubled, outpacing the combined market sector average of 42 per cent (Figure 2.2). The communications sector also has a higher proportion of businesses that are innovative in providing services than in any other industry.[2]

The sector is an important part of the everyday lives of Australian households. Affordable access to communications services is essential if households are to benefit from the digital economy. Over the past decade, the affordability of communications services for the average Australian household has improved,[3] reflecting increasing market choice and competition in mobile and fixed line services as well as the continuing rollout of the NBN.

Figure 2.2 Labour productivity in the communications sector more than doubled in the two decades up to 2015–2016



Source: Bureau of Communications and Arts Research (BCAR) (2017) Communications Monitor. Note: Market sector industries include all industries except for the public administration and safety, education and training, health care and social assistance industry sectors.

2 BCAR, 2017, Communications Monitor—context and overview.

3 BCAR, 2017, Trends and drivers in the affordability of communications services for Australian households.

National Broadband Network

The Department provides oversight of NBN Co, which has the mandate to ensure that all Australians have access to the high-speed broadband necessary to participate in the digital economy. The NBN reached the halfway point of construction in mid-2017, and is scheduled for completion by 2020. The NBN is more than Australia's largest infrastructure project—it is also transforming the communications market by establishing a non-discriminatory, wholesale-only broadband access network to support competition among more than 100 retail service providers.

The NBN is currently at the peak of its construction phase. In 2016–17, the Department focused on activities that promoted infrastructure deployment, including governance of NBN Co, monitoring the pace of the rollout and supporting NBN Co to address implementation issues.

Until completion of the rollout, the Department will continue to undertake these activities with an increasing emphasis on consumer experience.

Over the year, we ensured NBN Co had sufficient capital to progress the rollout. We managed the provision of equity payments of $7.2 billion. Working with the Department of Finance, we established a Commonwealth loan to NBN Co of up to $19.5 billion. The loan has been provided on commercial terms and will support future rollout activity while minimising cost and risk to the Government.

As part of our oversight role, we assessed NBN Co's corporate plan to establish that proposed funding arrangements were efficient and reflective of rollout requirements. This assessment, undertaken jointly with the Department of Finance from April to July 2017, evaluated NBN Co's deployment and financial forecasts, risk management strategies and governance structures.

We received weekly and monthly updates from NBN Co on the progress of the rollout and participated in monthly and quarterly shareholder meetings with NBN Co.

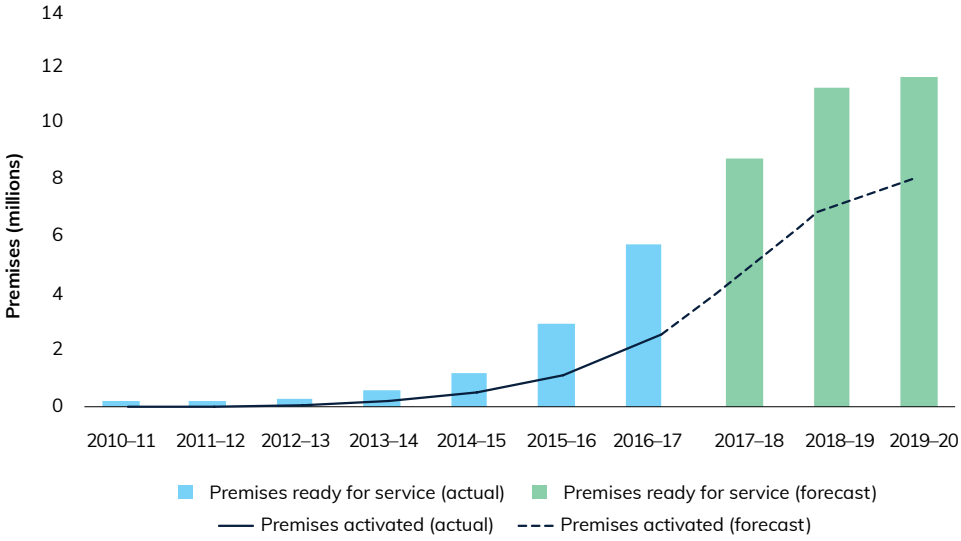
We provided advice to the Minister for Communications and the Minister for Regional Communications to assist government decision-making regarding NBN Co governance and the NBN rollout.

Our activity has contributed to significant progress being made in the NBN rollout. As at 30 June 2017, the NBN was available to over 5.7 million premises—313,000 premises ahead of target. More than 2.4 million Australian homes and businesses now have an active NBN service—100,000 premises ahead of target. Overall, the NBN is now available to over half of Australian homes and businesses. See Figure 2.3 for further information.

A growing number of communities and households are experiencing the benefits of the NBN, particularly those in regional Australia that are now able to access high-speed broadband at more affordable prices.

A growing number of communities and households are experiencing the benefits of the NBN.

Figure 2.3 NBN rollout—Premises ready for service



Source: NBN Co Corporate Plan 2012–15 and 2014–17 (actuals); NBN Co Corporate Plan 2018–21 (forecast).
Note: Ready for service refers to homes and businesses passed by the active NBN and ready to order a service.

FOCUS ON

THE BENEFITS OF NBN IN REGIONAL AUSTRALIA

Through NBN Co, the Government is investing in new communications infrastructure in regional Australia, including approximately $2.5 billion in capital expenditure on fixed wireless and approximately $2 billion on NBN's satellite network.

NBN Co has completed the network rollout to over two-thirds of premises outside major urban areas. This includes using Sky Muster satellites to deliver broadband services to nearly 75,000 customers; completion of around three-quarters of the fixed wireless network nationally with over 1,700 towers serving more than 184,000 customers; and the availability of the NBN to almost 60 per cent of brownfield premises in the fixed line footprint outside major urban areas.

As at 30 June 2017, services were available to over 2.5 million homes and businesses outside of major urban areas through fixed line, fixed wireless and satellite infrastructure, and will be available to approximately 3.6 million remote and regional brownfield premises by 2020.

Research conducted by the Bureau of Communications and Arts Research (BCAR) in 2016–17 indicates that for home broadband services the rollout of the NBN is improving choice and reducing prices for regional consumers. For example, the BCAR identified that bundle plans offered by retail service providers on NBN Co's fixed network are at lower price points than offered on the ADSL network, with providers also increasing data allowances in response to consumer demand.[4]

The NBN has benefited regional communities in the following ways:

- Two Sky Muster satellites are providing access to download speeds of up to 25 megabits per second (Mbps). NBN Co recently increased peak data downloads from 30 gigabytes (GB) to 45 GB and doubled off-peak data allowances.
- NBN Co and the Royal Flying Doctor Service (RFDS) will test transportable Sky Muster units, initially in four RFDS aircrafts and two road vehicles to support visiting primary health clinics, with trials to commence in September 2017. If successful, the RFDS will gradually be able to expand telehealth and online health management reliably across remote and country areas that currently miss out on workable broadband coverage.[5]
- Smoother connections and faster speeds are being experienced through NBN Co's Sky Muster satellites for residents in regional towns such as Longreach, Queensland. Local students are benefiting from increased data allowances, particularly distance education students who can now participate more fully in lessons and classroom activities.[6]
- Fixed wireless coverage to over 510,000 premises is connecting regional Australia to communities around the world and opening up possibilities for small businesses, schools and families. On 30 March 2017, NBN Co announced it would make available 100 Mbps services on the fixed wireless network from early 2018.
- Over 1.6 million regional properties have been connected to fixed line broadband services in non-metropolitan areas. These services are providing high-speed broadband access promoting innovation and the development of online applications.

4 BCAR, 2017, Trends and drivers in the affordability of communications services for Australian households.

5 As reported by Newsboost, 26 June 2017, Flying Doctor to trial nbn's Sky Muster satellite.

6 Department of Communications and the Arts, NBN—Longreach.

Mobile Black Spot Program

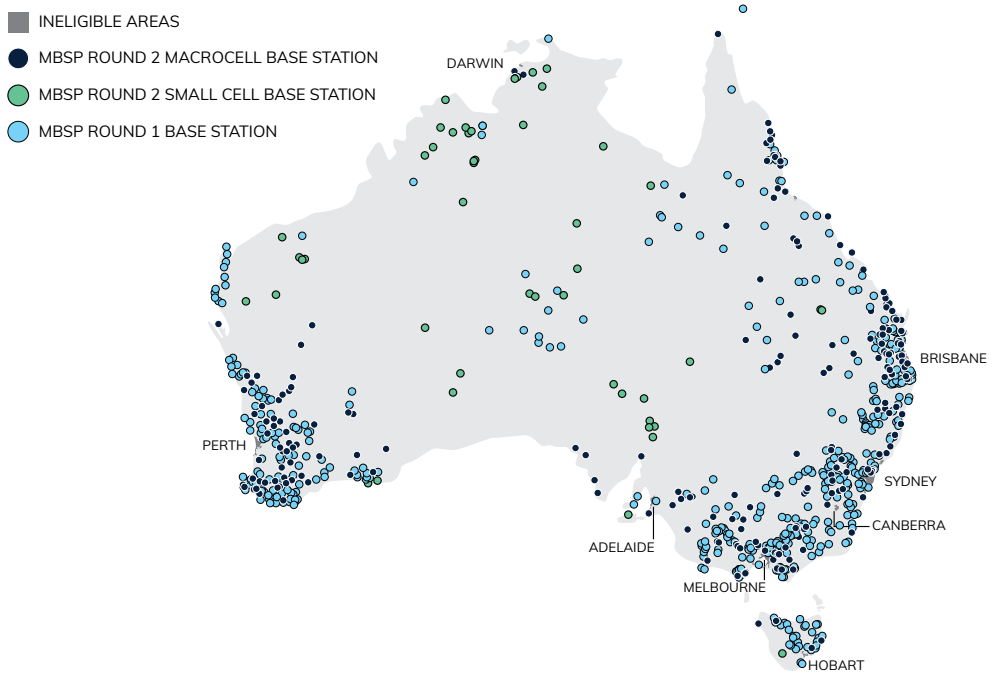
Competitive private sector investment has delivered quality mobile outcomes for the majority of Australians. Australia's mobile coverage, affordability, investment and innovation is recognised by the GSM Association, an international industry peak body, which has ranked Australia first of 134 nations on its Mobile Connectivity Index.[7] However, the economics of operating mobile services are such that commercial investment is not viable in less populated and geographically isolated areas of Australia.

We are administering the Mobile Black Spot Program, which supports social and economic benefits by expanding mobile coverage and increasing competition along major regional transport routes and in small communities.

Rounds 1 and 2 of the program will deliver almost $600 million (GST inclusive) in new investment in mobile infrastructure in regional and remote Australia, including $430 million in co-funding from industry and state governments. This investment will deliver:[8]

- 765 new and upgraded mobile base stations
- 86,300 square kilometres of new and upgraded handheld coverage
- 202,300 square kilometres of new external antenna coverage
- over 7,600 kilometres of new coverage to major transport routes.

Figure 2.4 Mobile Black Spot Program funded round 1 and 2 mobile base stations



The map depicts the location of the base stations awarded funding under rounds 1 and 2 of the Mobile Black Spot Program (MBSP). The exact location of the base station at a given site will be determined by the funding recipient and will be subject to a range of factors including state and local government planning approvals, landowner agreement (where necessary), and construction considerations at the proposed site.

7 GSM Association, 2016, Mobile connectivity index launch report.

8 Department of Communications and the Arts, Mobile Black Spot Program.

In 2016–17, we continued to deliver the Mobile Black Spot Program. As at 30 June 2017, a total of 203 base stations have been deployed under the program. These 203 base stations are providing improved mobile coverage to an estimated 31,624 premises and 2,256 kilometres of major roads across regional and rural Australia.

Communities across Australia are benefiting from improved mobile phone and data coverage and greater competition. The program has also contributed to improving community welfare. For example, operational reports for the first 54 base stations indicate over 2,619 Triple Zero calls have been made through these base stations.

We will continue to focus on completion of rounds 1 and 2 in 2017–18 and implementation of the $60 million priority locations round of the program, including its competitive assessment process.

We will also continue to monitor the effectiveness of the program in improving access and competition at the state and community levels.

In 2016–17, we also contributed in other ways to the deployment of mobile network infrastructure. We developed and consulted on changes to powers and immunities to enable telecommunications carriers to roll out mobile and other telecommunications infrastructure more quickly and at lower costs, enabling them to better meet consumer needs.

On 26 June 2017, we made a submission to the inquiry by the Australian Competition and Consumer Commission into the declaration of a domestic mobile roaming service.[9] The submission emphasised the need to foster private sector investment in competing mobile infrastructure, including in regional, rural and remote areas.

FOCUS ON

MOBILE BLACK SPOT PROGRAM CASE STUDIES

The village of Murringo, in New South Wales, is one community experiencing social and economic benefits from the installation of a mobile base station funded under the program. Students at the Murringo Public School now have better access to the internet to do their homework and stay in touch with their friends. The new base station is also opening up new opportunities in the village for the small businesses, farmers and families who previously had no mobile reception.[10]

Ferguson Valley in Western Australia is another community experiencing social and economic benefits under the program. In particular, small businesses in the area are now able to contact, and be contacted by, potential customers, since the base station went live in April 2017. The ability to accept bookings, answer enquiries and have customers able to access mobile reception will provide an economic stimulus to the area.[11]

9 Department of Communications and the Arts, 26 June 2017, Submission to the Mobile Roaming Inquiry.

10 As reported by *Boorowa News*, 25 July 2017, Mobile phones now ringing in Murringo.

11 As reported by *The West Australian*, 13 June 2017, Businesses welcome valley mobile reception.

National Collecting Institutions (NCIs)

Australia's NCIs support a diverse Australian culture by protecting and celebrating Australia's rich cultural heritage. Increasingly, Australia's NCIs are using digital technologies to deliver services, supporting greater participation of audiences and the research community.

The Department's 2016-17 Corporate Plan describes the NCIs as innovation infrastructure. Artistic and cultural institutions foster creativity and provide rich data sources that promote innovation across the community.

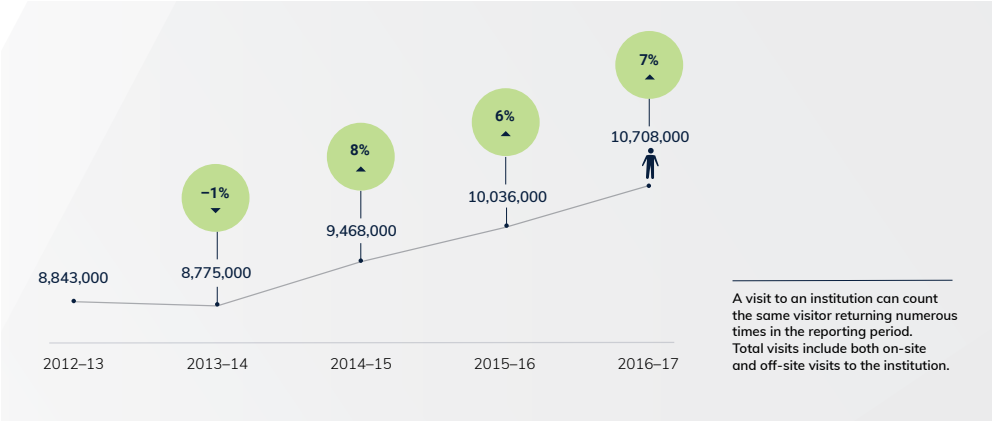
In 2016–17, we continued to support the NCIs by providing governance, policy oversight and assistance through programs such as the National Collecting Institutions Touring and Outreach Program, and by providing policy advice to the Minister for the Arts.

In collaboration with the NCIs and other national cultural institutions, we have continued to refine a framework the NCIs use to measure and report on a range of activities and achievements across the institutions. This year has seen us include year-on-year trend data. The data derived from this framework demonstrate the collective impacts of the Government's investment in these institutions and success in meeting the Government's cultural and broader strategic priorities. This includes access, relevance, vibrancy, education, national leadership and organisational excellence. As well as strengthening the important role of the institutions, the framework has helped inform policy decision-making and facilitated ongoing sharing and learning across the institutions.

With this support, the NCIs worked to increase national access to Australian and international cultural material, with exhibitions being displayed across metropolitan, regional and remote venues. During the year, there were almost 11 million visits on-site and off-site to the NCIs.

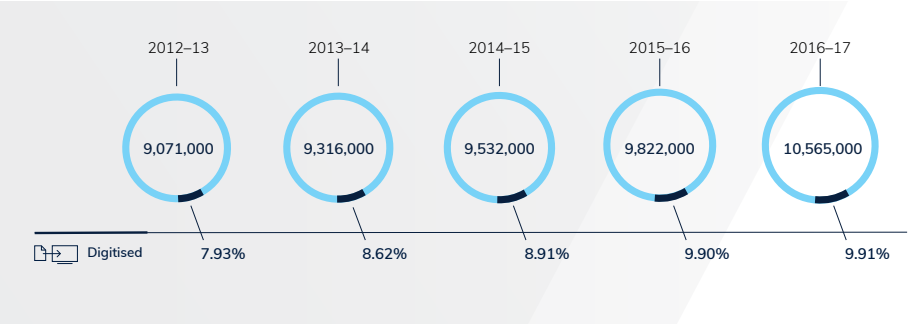
There were four times as many virtual visits, with over 40 million visits to the NCIs' websites and over 250 million page views. The digital availability of the national collections also increased slightly during 2016–17 with 9.9 per cent of collections now digitised.

Figure 2.5 Visits to National Collecting Institutions



Source: Department of Communications and the Arts derived from aggregated NCI data.

Figure 2.6 Digital objects in national collections



Source: Department of Communications and the Arts derived from aggregated NCI data.

Spectrum reform

The Department is responsible for policies that underpin planning and use of all radio-frequency spectrum in Australia. Spectrum is an important enabler for new technologies. It is used for applications such as radio and television, mobile and satellite communications, the Internet of Things, smart cities and defence.

Spectrum is essential to a digitally networked economy and is a major contributor to Australia's economic and social wellbeing.[12] The economic value of Australia's spectrum to the national economy is estimated to be $177 billion over 15 years.[13]

Australia's spectrum has been managed using a framework that was developed in 1992, and updated in 2002 following a review of the *Radiocommunications Act 1992*. The framework needs to be modernised to reflect changes in technology.

In 2016–17, we progressed the implementation of the recommendations of the Government's 2015 Spectrum Review. These reforms will reduce regulatory burden and support industry investment in new technologies by:

- **improved legislative arrangements**—reforms will replace the current legislative arrangements with new legislation that removes prescriptive processes and streamlines licensing
- **integration**—the revised framework will better integrate the management of public sector and broadcasting spectrum to improve the consistency and integrity of the framework
- **spectrum pricing**—the reform process will review spectrum pricing to ensure consistent and transparent arrangements to support the efficient use of spectrum and secondary markets.

The Department reviewed spectrum prices for commercial broadcasters and these were reflected in the 2017–18 Budget and subsequent *Commercial Broadcasting (Tax) Act 2017*. We modelled a spectrum price more reflective of its value. In effect, commercial broadcasters will now pay approximately $40 million per year instead of $75,000 per year. This brings commercial broadcasters into the spectrum management framework consistent with other spectrum users.

Over the year, we assisted the Government in developing a consultation package including an Exposure Draft Radiocommunications Bill and consultation papers on broadcasting spectrum,

12 Department of Communications and the Arts, 2017, Commonwealth Held Spectrum.

13 Centre for International Economics, 2015, The economic value of spectrum (research report prepared for the Department of Communications).

transitional arrangements, Commonwealth spectrum holdings and spectrum pricing. Between May and June 2017, we ran a six-week consultation process on spectrum reform.

The implementation of the Government's spectrum reform agenda is a multi-year process. In the short term we will continue to progress stakeholder consultation and engagement ahead of implementation.

In parallel, we will continue to work with the Australian Communications and Media Authority (ACMA) in managing Commonwealth spectrum holdings. Our work in 2016–17 supported the auction of 700 megahertz (MHz) spectrum—an important enabler for future infrastructure investment.

FOCUS ON

700 MHZ SPECTRUM AUCTION

While progressing spectrum reform was a key focus in 2016–17, the Department also supported spectrum activities that contributed to economic and social outcomes.

On 13 April 2017, the Government announced that all spectrum on offer in the unallocated 700 MHz spectrum band was sold in a competitive auction for a total of $1.55 billion to TPG and Vodafone Hutchison Australia (VHA). The highly valuable 700 MHz spectrum band supports mobile broadband services across Australia and will allow TPG and VHA to offer customers high-speed fourth generation (4G) mobile voice and data coverage.[14] The licences will commence on 1 April 2018 and expire on 31 December 2029.

We contributed to this outcome by providing policy advice to the Minister for Communications on allocation options and working with the ACMA on auction design and implementation.

14 Department of Communications and the Arts, 13 April 2017, Spectrum 700MHz auction results.

Harnessing digital disruption

Digital disruption describes how new technologies drive substantial change across the economy for households and businesses. These changes can impose significant adjustments as they make investments obsolete and change how citizens access goods, services and employment. Importantly, digital disruption and new technologies offer opportunities for the creation of innovative businesses, a greater range of products, and new ways for governments to address policy problems. In this way, digital disruption can generate higher productivity growth and improve living standards.

Over the course of the year, we worked to modernise regulatory and policy frameworks to better reflect consumer and business requirements in a digital world. We progressed reforms relating to telecommunications regulatory frameworks, copyright and classification. We also progressed the implementation of the ACMA review.

Table 2.2 Performance criteria outcomes

Criteria	Target	Source	Outcome
Help ensure effective policy and regulatory frameworks that promote competition, consumer safeguards, efficient and effective portfolio agencies, and reduce regulatory burden.	Help ensure policy and regulatory frameworks are effective and reduce regulatory burden	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**In progress.** See analysis on p. 33
Help ensure copyright law and regulation provide a framework that is simple, efficient and effective, achieving a balance between the rights of owners and users of copyright and promoting appropriate self-help remedies for the protection of rights.	Copyright law and regulation provides an effective framework	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**In progress.** See analysis on p. 34
Implement the outcomes of the ACMA review in line with Government requirements.	Implement ACMA review outcomes	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**In progress.** See analysis on p. 38

Criteria	Target	Source	Outcome
Undertake research through the Bureau of Communications and Arts Research* advising on sectoral developments to inform strategic policy directions ** During the 2016–17 reporting period, the Bureau of Communications Research expanded its remit to include arts and subsequently is known as the Bureau of Communications and Arts Research*	Undertake research through the Bureau of Communications and Arts Research	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**Met.** Over the year, the Bureau of Communications and Arts Research: • Has delivered research and analysis that has supported internal decision-making and policy development. • Has published five external products: – *Communications Monitor* (October 2016—June 2017) – *The communications sector: recent trends and developments* (October 2016) – *NBN non-commercial services funding options* (December 2016) – *Digital productivity: key issues from the literature* (June 2017) – *Private sector support for the arts in Australia* (June 2017).
Continue to support the Government and shareholder ministers in achieving Australia Post reforms	Support the Government and shareholder ministers in achieving Australia Post reforms	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**In progress.** Over the year: • We monitored the impact of reforms implemented in 2015–16. • We supported the appointment of a new Chief Executive Officer, new Deputy Chair and two new Directors. • We analysed and reported to the Minister for Communications on Australia Post's corporate plan, annual report and quarterly performance reports. • We continued to assess future reform options.
We provide advice to the Government to ensure content-related consumer safeguards remain effective and support the delivery of the National Classification Scheme	Provide high quality policy advice regarding content related consumer safeguards and support the delivery of the National Classification Scheme	Corporate Plan 2016–17, p. 10 PBS 2017–18, p. 25	**Met.** See analysis on p. 35

Telecommunications regulatory reform

In 2016–17, we developed legislation to promote competition and to improve access to broadband services for all Australians, especially those in regional, rural and remote areas.

On 22 June 2017, the Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017 and Telecommunications (Regional Broadband Scheme) Charge Bill 2017 were introduced into Parliament. The reform package has three major components:

- **Wholesale–retail separation**—To create new commercial and competitive opportunities, existing rules requiring new broadband networks to be wholesale only are being reformed so network operators can also operate retail businesses on a functionally separated or arms-length basis with the approval of the Australian Competition and Consumer Commission. The wholesale-only rules are also being removed from networks servicing small businesses, given they increasingly have access to competing fixed line infrastructure.
- **Statutory infrastructure providers**—NBN Co (and other carriers, where appropriate) will be subject to clear obligations to connect premises to its network and supply wholesale high-speed broadband services to retail service providers. While the NBN is being rolled out, the obligations will apply in areas as they become ready for service. Once the NBN is complete, NBN Co will be the default statutory infrastructure provider for all of Australia.
- **Regional Broadband Scheme**—NBN Co's fixed wireless and satellite networks are estimated to lose around $9.8 billion over 30 years, with these losses currently funded entirely from an internal cross-subsidy from its fixed line networks. The Regional Broadband Scheme makes this existing cost transparent and spreads it across all NBN comparable networks, with NBN Co continuing to pay around 95 per cent of the cost.

Over the year, we assisted the development of these reforms by providing evidence-based policy advice to the Minister for Communications and the Minister for Regional Communications, and undertaking extensive stakeholder engagement, including the release of exposure draft legislation on 12 December 2016.

The Department progressed a range of other telecommunications regulatory reforms in 2016–17:

- On 2 December 2016 the Minister signed the Telecommunications (Fibre-ready Facilities—Exempt Real Estate Development Projects) Instrument 2016. The Instrument enables real estate developments in regional and remote areas that meet four criteria to be exempted from pit and pipe requirements that can be costly and difficult to justify in rural and remote areas. By 30 June 2017, the Department had received exemption notifications for 144 developments, with attendant savings for the developers.
- The Competition and Consumer Amendment (Misuse of Market Power) Bill 2017 amends the *Competition and Consumer Act 2010* to give effect to the 2015 Harper Review's recommendation to strengthen the misuse of market power law in Section 46 of the Act. The Bill also makes amendments to repeal the telecommunications-specific anti-competitive conduct laws in Part XIB of the same Act in light of the strengthening of Section 46. It passed the House of Representatives on 28 March 2017.
- The Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017 contains measures that will reduce the regulatory burden on the broadcasting and telecommunications industries in a number of areas. The Bill focuses on creating a framework to enable a transition to industry management of telephone numbering, a function currently undertaken by the ACMA. The Bill was introduced into the House of Representatives on 29 March 2017.

- A consultation paper on reforms to telecommunications carrier powers and immunities was released on 9 June 2017. The reforms modernise the arrangements to help carriers roll out infrastructure faster and at a lower cost, with follow-on benefits for consumers.

Copyright reform

Intellectual property (IP) and copyright arrangements are a critical element of Australia's broader innovation and competition system. They provide opportunities for Australians with new and valuable knowledge to contribute to the economic and social wellbeing of the nation by ensuring that the creators of that knowledge secure sufficient returns on their investment in content.

Since the last major changes to the *Copyright Act 1968* in 2005, there have been significant changes in the online environment, and the environment remains very fluid. Internationally, many countries are grappling with the rapidly changing copyright environment, which has moved on from being principally about 'piracy' to one which has complex competition and revenue implications. This ongoing major shift will influence the development of future reform options for Australia's copyright framework.

A Productivity Commission inquiry found that Australia's IP arrangements need improvement.[15] Without an appropriately balanced regulatory framework, many of the Government's signature initiatives, including those being implemented under the National Innovation and Science Agenda, will be less effective in delivering their outcomes.

Over the year, we undertook measures to address some of the issues raised by the Productivity Commission, with further reforms planned in 2017–18. We assisted the Government's passage of the Copyright Amendment (Disability Access and Other Measures) Bill 2017 through Parliament.

Our work on copyright law reform in 2016–17 has been largely preparatory, with a focus on developing the Government's response to the Productivity Commission's recommendations. The implementation of copyright law reforms will be a multi-year process. The effectiveness of the reforms will be monitored over the long term.

15 Productivity Commission, 2016, Intellectual property arrangements, inquiry report, overview and recommendations.

FOCUS ON

MAKING COPYRIGHT MORE ACCESSIBLE IN THE DIGITAL AGE

The digital age has fundamentally altered the way Australians engage with copyright material and content. While large amounts of digital content are now available online, the majority of published material worldwide is not currently accessible to people who are blind or visually impaired or have a disability that affects the way they read, view, hear or comprehend content.

In early 2015, the Department began collaborative discussions with stakeholders on ways to modernise Australian copyright law to be more accessible in the digital age. We released an exposure draft for comment in late 2015. The resulting Copyright Amendment (Disability Access and Other Measures) Bill was introduced into Parliament in March 2017, and was the result of extensive consultation with copyright users and rights holders. The Bill passed through Parliament in mid-2017.

The important reforms in the Bill will significantly improve how people with a vision, hearing or intellectual disability access copyright materials, including through new and emerging technologies. Further, libraries, archives and key cultural institutions now have greater flexibility in preserving copyright materials and can provide greater access to historic and culturally valuable materials which can be used and re-used by all Australians.

Through consultation and the development of these targeted legislative amendments, we assisted the Government in promoting economic growth and social benefits by helping all Australians to realise the opportunities created through digital technologies and communications services.

Classification

In 2016–17, we provided policy advice regarding content-related consumer safeguards and supported the delivery of the National Classification Scheme. Classification helps inform the Australian community about how they interact with a range of content and is an important mechanism for preventing harm, particularly for children.

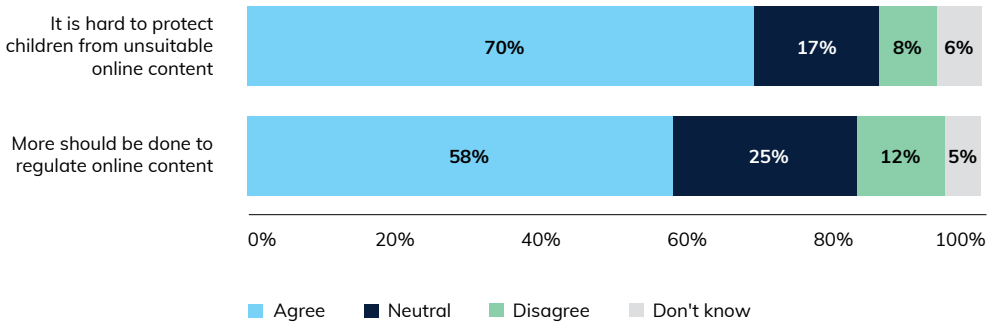
Research undertaken by the Department in November 2016 indicates that while community confidence in Australia's National Classification Scheme is positive, there is anxiety about protecting children from harmful online content.[16]

Reforms are needed so the classification of films, computer games and publications are effective across all mediums, including online, while minimising regulatory red tape.

Over the year, we focused on strengthening classification legislation. Our advice assisted the Government's introduction of legislative amendments that streamline classification regulation and reduce the regulatory burden on industry.

16 Department of Communications and the Arts, November 2016, Classification: usage and attitudes study.

Figure 2.7 Community concern about children and young people with regard to online content



Source: Classification usage and attitudes study, Department of Communications and the Arts, November 2016.
Note: Survey based on 2,187 respondents.

Figure 2.8 Classification amendments

Legislation	Impact
Counter-Terrorism Legislation Amendment Act (No.1) 2016	• Amended the *Classification (Publications, Films and Computer Games) Act 1995* to bring a provision relating to terrorism material up to date.
Classification (Publications, Films and Computer Games) (Markings and Consumer Advice) Amendment Determination 2017	• Amended the *Classification (Publications, Films and Computer Games) (Markings and Consumer Advice) Determination 2014* to ease the regulatory burden on the cinema industry around the classification of trailers, while ensuring that the industry continues to provide prominent classification information.
Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017	• Amends the *Broadcasting Services Act 1992* to unify the classification system applied to movies and other programming on television, reduce compliance costs for broadcasters, and simplify classification information for consumers.

Another important initiative relating to classification during the year was the development of a world-first classification tool that streamlines the process of classifying Netflix content.

FOCUS ON

THE NETFLIX CLASSIFICATION PILOT

Over the year the Department worked collaboratively with Netflix to develop and monitor the Netflix classification tool, which innovatively combines Netflix technology with Australia's system of classification and consumer advice to better help the community make decisions on what they and their children watch.

The Netflix classification tool provides an efficient and cost-effective way to classify huge volumes of entertainment content from Netflix and improves productivity, progresses common goals and achieves an excellent outcome for the Australian public. The tool is a new solution to help modernise the classification scheme and is an example of the Government's response to the media regulation challenges posed by the rapid emergence and uptake of online streaming video-on-demand services in Australia.

Australia is the first country in the world to implement the tool and it is also the first time a tool is being used to classify films and television series in Australia. The tool was launched by the Minister for Communications on 7 December 2016 and will operate as a pilot for the first 12 months. As of 30 June 2017, the tool had generated 1,014 classification decisions.

During the pilot, we will support the Classification Board to undertake random and targeted audits of a broad range of the tool's classification decisions. These audits will assess the accuracy and integrity of the tool and will support Netflix to enhance and refine the tool.

We will continue to assist with delivery of the Government's classification reforms in the coming years. Longer term, our effectiveness in progressing classification reforms will be measured through stakeholder survey results, and the extent to which Australian citizens consider classification arrangements successfully minimise harm.

In terms of supporting the National Classification Scheme, over the year we ensured all:

- classifications were made within statutory timeframes
- training and classification fees were collected
- decisions were published to the National Classification Database
- active assessors were accredited and accreditation maintained.

We also ensured compliance with auditing requirements for classification tools (including the Netflix classification tool).

Australian Communications and Media Authority review

In June 2015, the Minister for Communications announced a review of the ACMA to ensure that it could continue to discharge its regulatory functions effectively in the face of challenges arising from a rapidly changing communications sector.

On 22 May 2017, the Government released the final report of the ACMA review, along with its responses to the report's recommendations. These responses cover the ACMA's remit, objectives, functions, governance, performance and resource base, and seek to ensure that the ACMA remains a modern, agile and responsive fit-for-purpose communications regulator. The Government has indicated that it supports, or supports in principle, all 27 recommendations of the report.

Over the course of the year, we commenced implementing the ACMA review's recommendations. We also worked with the ACMA to facilitate the transfer of the Australian Internet Security Initiative from the ACMA to the Attorney-General's portfolio. This will result in better alignment and delivery of the Government's cybersecurity programs. The transfer of the program and its resources occurred on 1 July 2017.

Ensuring access to diverse Australian content

Australian content plays an important role in fostering a diverse and vibrant Australian culture. Content produced in Australia, or under Australian creative control, reflects and shapes our national identity, character and cultural diversity. Australian content also contributes to the economy through international exports.

Table 2.3 Performance criteria outcomes

Criteria	Target	Source	Outcome
Implement the Government's objective to create a more competitive broadcasting industry. We will progress reforms in conjunction with broader spectrum reforms.	Implement the Government's media reforms and contribute to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 25	**In progress.** See analysis on p. 40 and p. 41
We ensure that the Australian television content and classification regulatory and policy frameworks remain fit-for-purpose and support the creation and distribution of Australian content.	Television and content classification frameworks are effective	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 25	**In progress.** See analysis on p. 36 and p. 40
We administer policies and programs to develop creative industries. We encourage the cultural sector's contribution to diverse Australian content.	Australia's creative industries produce original, compelling and accessible Australian content	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 30	**In progress.** See analysis on p. 43
We ensure that training institutions support the development of vibrant creative industries.	Australia's elite training institutions support the development of vibrant creative industries	Corporate Plan 2016–17, p. 11 PBS 2017–18, p. 30	**Met.** See analysis on p. 43

In progressing our work over the year, we focused on sectoral trends affecting the creation of Australian content, including in the free-to-air broadcast sector.

FOCUS ON

AUSTRALIAN FREE-TO-AIR BROADCAST SECTOR: KEY TRENDS

Since 2005, revenues in the broadcast industry have declined in real terms, suggesting industry performance is below that of the broader economy.[17] Advertising remains the primary revenue driver, and it is increasingly being fragmented by the rise of internet advertising and cross-media campaigns.

In Australia, PricewaterhouseCoopers (PwC) estimates that the value of internet advertising is larger than free-to-air and subscription television advertising.[18] Radio broadcasters do not appear to have experienced the same drop in real advertising revenues compared to television broadcasters.[19] Forecasts are predicting revenue to remain flat in real terms over the next five years.

Meanwhile, programming costs continue to represent the single largest industry expenditure, driven largely by the rising costs to produce and acquire Australian content (including news, sport and entertainment).[20]

Australian and Children's Screen Content Review

On 6 May 2017, the Government announced a comprehensive review of Australian and children's screen content, as part of broader media reforms, to be conducted jointly by the Department, the ACMA and Screen Australia. Terms of reference for the review were released on 23 May 2017. The objective of the review is to provide policy options to the Government on the most effective support mechanisms for the Australian and children's content and Australian screen production sectors. Specifically, mechanisms to support Australian drama, documentary and children's content and the Australian Screen Production Incentive will be reviewed.

Given the small size of the Australian market for screen content, and the sheer quantities of screen content production in larger English-language markets such as the United States of America and the United Kingdom, it is unlikely that Australia would produce the quantity, quality and variety of Australian content required to achieve cultural benefits without Government support. The review will examine the Government's policy settings and industry incentives to ensure they remain fit-for-purpose.

17 ACMA, 2015, Broadcasting financial results report. As acknowledged by the ACMA, these data are unaudited and may contain inaccuracies.

18 PwC, 2016, Global entertainment and media outlook 2016–2020.

19 Nielsen, March 2016, Australian connected consumers report 2016.

20 ACMA, 2014, The cost of code interventions on commercial broadcasters: commissioned research undertaken by PwC for the contemporary community safeguards inquiry, p.45.

Over the course of 2016–17, we established a taskforce and started preparatory work and information-gathering to inform and guide the review. We commenced a program of stakeholder engagement and consultation. We anticipate providing a final report to the Government in 2017–18.

Media reforms

The Department is helping to promote a viable Australian media sector by removing outdated broadcast licence fees and regulations that only apply to, or restrict, traditional media platforms.

Following the implementation of a 25 per cent reduction in broadcasting licence fees, reducing the fees payable by broadcasters in December 2016, in 2016–17 we focused on implementing the Government's objective to create a more competitive broadcast industry, with a particular focus on reforming media control and ownership rules.

The underlying objective of this integrated package is ensuring ongoing investment in, and access to, high-quality Australian content. Overall, the package will strengthen free-to-air Australian broadcasters, enabling them to invest in Australian content and their businesses and to better compete with online content providers.

Over the year, we assisted with the Government's introduction of the Broadcasting Legislation Amendment (Media Reform) Bill 2016 on 30 November 2016, and subsequent passage through the lower house and introduction into the Senate on 1 December 2016. The Bill sought to repeal the media control rules known as the '75 per cent reach rule' and the '2 out of 3 rule', and included new local programming obligations for regional commercial television licensees in certain circumstances.

Following announcement of the broadcasting and content reform package in the 2017–18 Budget, the changes to the control rules and local content measures have been included in this broader package of reforms. We provided policy advice to the Minister for Communications that led to announcements regarding the abolition of licence fees and the establishment of the Australian and Children's Screen Content Review.

FOCUS ON

BROADCASTING LICENCE FEES

The regulations governing Australia's media were developed in an analogue era that is vastly different from today's digital media environment. Audiences can now select from multiple services, including free-to-air television, pay TV, catch-up TV, online streaming services, subscription video, audio-on-demand, and user-generated video. This fragmentation of audiences has eroded advertising revenue for established commercial broadcasters and newspaper publishers as they compete with online providers that, with some exceptions, are not subject to the same level of regulatory obligation. With traditional media operators under sustained and significant financial pressure, reform of the regulatory arrangements governing these media outlets was needed to ensure they can compete on a level playing field.

The Government's reform agenda for the media sector was broadened as part of the 2017–18 Budget, with the Minister for Communications announcing the details of the Broadcast and Content Reform Package on 6 May 2017. The package incorporates changes contained in the 2016 Media Reform Bill and additional reforms intended to modernise media regulation and help position the sector to deal with existing and future challenges more effectively. The reforms will abolish broadcasting licence fees and introduce a price for the use of broadcasting spectrum that more accurately reflects its value.

On 15 June 2017, the Broadcasting Legislation Amendment (Broadcasting Reform) Bill 2017 and the Commercial Broadcasting (Tax) Bill 2017 were introduced into the House of Representatives, containing measures to implement the reforms outlined above. The Bills passed the House on 21 June 2017 and were introduced into the Senate the following day. The package also included several measures that were not contained in the Bills and will be progressed on separate timeframes: a comprehensive review into Australian and children's content; a ban on gambling advertising from five minutes before play to five minutes after play during sports broadcasts between 5:00 am and 8:30 pm; and the implementation of a new program to improve broadcast coverage of under-represented and niche sports.

The Department assisted the Government in the development of these measures and in the preparation of advice, briefing and documentation in the progression of the Bills through Parliament. We also undertook extensive consultations on the measures, particularly those relating to the taxation arrangements for the use of broadcasting spectrum.

The Department implemented the Government's decision to change broadcasting licence fees for the 2016–17 year, with the *Television Licence Fee Amendment Regulations 2017* and the *Radio Licence Fee Regulations 2017* coming into effect on 30 June 2017. These regulations abolished licence fees for 2016–17.

Creative industries

Contemporary Australia is home to a wide range of creative arts and industries, from world-class films, to visual and performing arts, to publishing and the games industry. Australia has a vibrant arts, culture and entertainment community which is known internationally for its unique style and rich Indigenous history. Australia also plays a key role in the education, training and development of future leaders across all arts and creative industries.

A creative economy contributes to cultural diversity, social inclusion, environmental sustainability and technological advancement. Creativity is key to innovation, driving sustainability and prosperity.

We collaboratively administer programs to support Australia's creative industries in producing original, compelling and accessible content. In 2016–17, we administered several initiatives, including the:

- **Foreign Actor Certification Scheme**—This scheme for screen performers entering Australia to work on film and television productions is intended to achieve Government cultural objectives by ensuring that Australian industry personnel are given the opportunity to secure employment in film and television productions shot in Australia, and that Australian voices are heard in Australian productions. In 2016–17, 188 foreign actors were certified under the scheme.
- **Location Offset, and Post, Digital and Visual Effects (PDV) Offset**—The Location Offset provides a 16.5 per cent rebate on productions that spend at least $15 million on qualifying Australian production expenditure. The PDV Offset provides a 30 per cent rebate on the qualifying post, digital and visual effects expenditure of productions that spend at least $500,000 on qualifying Australian expenditure, including productions not necessarily shot in Australia. In 2016–17, 84 applicants for the Location Offset and PDV Offset were issued final certificates by the Minister for the Arts. The Film Certification Advisory Board issued a further 35 provisional certificates for these offsets. The qualifying Australian production expenditure of these productions totalled $530 million, with an estimated rebate payable to these productions of $113.8 million.
- **Resale Royalty Scheme**—Under the Resale Royalty Scheme, visual artists are entitled to a royalty payment of 5 per cent of the resale price for eligible works of art resold commercially for $1,000 or more. As at 30 June 2017, the scheme had generated over $5.27 million in royalties for 1,440 artists from 14,897 resales.

Successive Australian governments have provided operational funding to seven national elite performing arts training organisations to operate as national centres of excellence in the performing arts. Australia's elite training organisations comprise:

- Australian Ballet School
- Australian National Academy of Music
- Australian Youth Orchestra
- Flying Fruit Fly Circus
- National Aboriginal Islander Skills Development Association (NAISDA) Dance College
- National Institute of Circus Arts (NICA)
- National Institute of Dramatic Art (NIDA).

Together with the Australian Film, Television and Radio School which is a separate statutory authority, these organisations form the ARTS8.

The ARTS8 organisations provide Australia's creative industries with a reliable stream of elite-level graduates who are immediately employable in a multitude of roles. Graduates are instrumental in sustaining the financial and cultural success of the national and international entertainment industries. Growth in nominal gross industry value added in performing arts rose by 35 per cent between 2008–09 and 2012–13.[21]

Over the year, we provided $23 million to the arts training organisations to operate as centres of excellence in elite training for the performing arts. In 2016, 838 students graduated and 1,100 places had been offered for the 2017 intake.

21 Bureau of Communications and Arts Research analysis.

FOCUS ON

AUSTRALIA'S ELITE ARTS TRAINING ORGANISATIONS PROVIDING EMPLOYMENT PATHWAYS TO THE CREATIVE INDUSTRIES

Graduates from the arts training organisations go on to have careers in a diverse and broad range of areas, including music and performing arts, corporate entertainment, national and international festivals, film, television and radio, design and visual arts, and arts education and training.

Priscilla Jackman graduated with a Master of Fine Arts (Directing) from NIDA in 2016 after receiving the inaugural Sandra Bates Director's Award. Priscilla is currently Resident Director of Sport for Jove Theatre Company's winter season and recipient of the Belvoir Artist Workshop. Most recently, she was awarded the Rockend Berlin New Music Opera Award by The Opera Foundation for Young Australians, and will travel to Berlin in 2017 to work. Priscilla led the first co-production between NIDA and NICA in 2017.

Career pathways have been established through the work of the arts training organisations, which allow students to move from one qualification to another to build their professional portfolios. Ella Horner graduated from NICA in 2014 and recently returned from touring with 'Bianco' with NoFit State Circus, Wales, United Kingdom. She is currently teaching in the NICA Short Courses Program. Felicia Lannan, also a 2014 graduate of NICA, co-founded the independent company Madhouse Circus and has staged productions at numerous festivals. Both Ella and Felicia were the first Flying Fruit Fly Circus graduates to enter the NICA programs through Certificate III, Certificate IV and then the degree course.

Foster Australian arts and culture

The arts and cultural sector is a significant contributor to the Australian economy and society. According to the Australia Council's 2016 arts participation survey,[22] 98 per cent of Australians aged 15 years and over engage with the arts, reflecting the central role the arts play in Australian life.

Table 2.4 Performance criteria outcomes

Criteria	Target	Source	Outcome
We provide policy leadership to enhance the sustainability of Australia's arts sector and artists, and to enhance access to the arts.	Provide strategic policy advice on the arts sector	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	**Met.** See analysis on p. 47
We administer programs, schemes and initiatives that support Australia's creative industries and stimulate participation in cultural life. We help foster employment and growth across the creative industries.	Provide effective delivery of programs that support Australia's creative industries and stimulate participation in cultural life	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	**Met.** See analysis on p. 47
We administer funding that supports Indigenous languages, visual arts and repatriation.	Development of, and access to high quality cultural experiences and skills development opportunities in regional and remote areas by, and for Aboriginal and Torres Strait Islander peoples is maintained or increased	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 29	**Met.** See analysis on p. 48
We support our portfolio agencies and arts training organisations in the efficient delivery of services to all Australians.	The portfolio of seven national elite performing arts training organisations provide access to training for performing artists and arts workers and cultural leadership in numerous forms	Corporate Plan 2016–17 p. 12 PBS 2017–18, p. 29	**In progress.** See analysis on p. 43
We undertake international engagement to build understanding and create opportunities for Australian arts and culture abroad. We work towards engaging new markets and audiences.	The best of Australia's arts and cultures is showcased on the world stage	Corporate Plan 2016–17, p. 12 PBS 2017–18, p. 30	**Met.** See analysis on p. 49

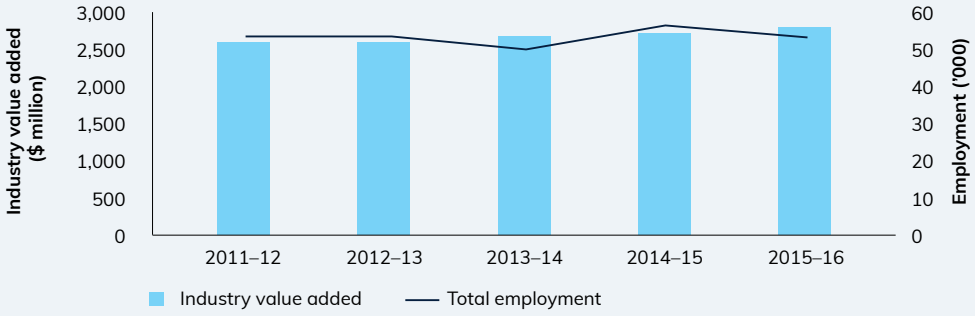
22 Australia Council for the Arts, 2017, Connecting Australians: results of the national arts participation survey.

FOCUS ON

THE ECONOMIC CONTEXT: CULTURAL AND CREATIVE ACTIVITY

In 2015–16, the arts and cultural sector generated $2.8 billion of industry value added and 0.2 per cent of gross domestic product (GDP), and employed some 54,000 people.

Figure 2.9 Industry value added of the arts sector ($ million)

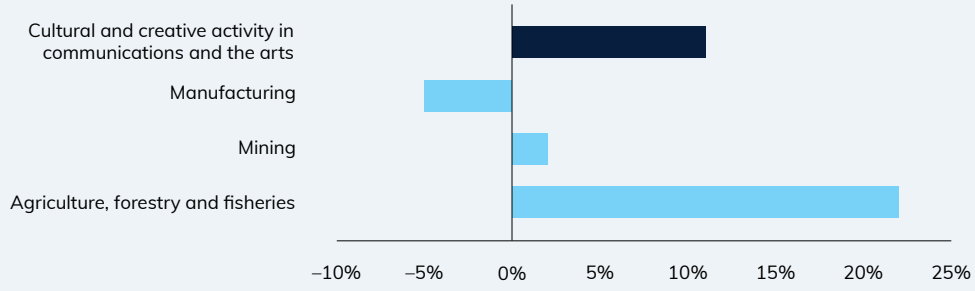


Sources: Australian Bureau of Statistics: Australian System of National Accounts 2015–16 (Cat. No. 5204.0), Input-output tables 2013–14 and 2012–13 (Cat. No. 5209.0.55.001) and product details 2013–14 and 2012–13 (Cat. No. 5215.0.55.001).

Cultural and creative activity in the communications and arts sector is estimated to have contributed $24.1 billion (1.6 per cent) to Australian GDP in 2012–13. Further, industry value added of cultural and creative activity in these sectors increased by 11 per cent between 2008–09 and 2012–13.

As part of the growing services sector, this rate was higher than the manufacturing and mining industries, which declined by 5 per cent and grew by 2 per cent, respectively (Figure 2.10).

Figure 2.10 Comparison of growth in nominal industry value added from selected industries, 2008–09 to 2012–13



Source: BCAR analysis.

In 2016–17, we provided policy advice supported by extensive research, analysis and stakeholder engagement to enhance the sustainability of Australia's arts sector and artists, and to enhance access to the arts. Our advice contributed to the following outcomes:

- **Arts portfolio funding arrangements**—On 18 March 2017, the Minister for the Arts announced new portfolio funding arrangements, transferring approximately $61 million in uncommitted funding over four years from Catalyst to the Australia Council. New funding arrangements will see a total of $80.2 million over four years in committed and uncommitted funds transferred to the Australia Council from 2017–18. Revised funding arrangements allow the Australia Council to continue its focus on supporting small-to-medium arts organisations and provide scope for it to address key recommendations from the National Opera Review. The new arrangements also pave the way for the Department to focus on connecting the arts sector to the Government's broader innovation agenda.
- **National Collecting Institutions** (NCIs)—In 2016–17, the Government announced an additional $64.9 million from the Public Service Modernisation Fund to support the NCIs. In December 2016, it was announced that $16.4 million was being provided to the National Library of Australia in support of its Trove service. On 9 May 2017, the Minister for the Arts announced funding of $48.5 million to support Australia's other NCIs. This will enable important capital works, and support the development and delivery of public programs and services for all Australians.

Program delivery

In 2016–17, we focused on the effective management of programs and grants supporting artistic and cultural endeavours. We administered grant and program funding valued at $165.4 million. Table 2.5 provides funding metrics associated with selected programs.

Table 2.5 Selected arts and cultural programs funding metrics, 2016–17

Program/grant	Number of funding applications	Number of funding commitments	Funding ($ million)
Festivals Australia	112	35	1.2
Anzac Centenary Arts and Culture Fund	11	7	0.3
Catalyst—Australian Arts and Culture Fund^	957	203	37.5
Indigenous Languages and Arts	179	88	20.4

^ The Government has decided to transfer the majority of funds previously allocated to Catalyst to the Australia Council. A total of $80.2 million over four years was transferred from 2017–18. All existing Catalyst funding agreements will be honoured and those with payments scheduled in 2017–18 and beyond have been transferred to the Australia Council.

Through effective program management, significant outcomes have been achieved in the areas of Indigenous languages, arts and repatriation in 2016–17:

- A total of 88 activities were funded under the Indigenous Languages and Arts Program, with 38 projects focusing on preserving and promoting Indigenous culture and 50 on language revival or maintenance. The program continued to support 21 Indigenous language centres across regional Australia, covering around 150 languages.
- Through the Indigenous Visual Arts Industry Support Program, we administered funding for the operations of around 80 Indigenous-owned art centres, and a number of art fairs, regional hubs and industry service organisations.
- Operational and Indigenous arts worker multi-year funding was provided to 97 organisations, mostly in remote communities. These organisations support over 8,000 Aboriginal and Torres Strait Islander visual artists and around 350 arts workers. The Indigenous Visual Arts Industry Support Program's annual budget of $20.3 million was fully expended.

The Indigenous Languages and Arts Program continued to support 21 Indigenous language centres across regional Australia.

Indigenous repatriation

The 2016–17 year was significant for Indigenous repatriation. The Government acknowledges Aboriginal and Torres Strait Islander peoples as the rightful custodians of ancestral remains. Returning ancestral remains back to Country helps to promote healing, justice and reconciliation for Aboriginal and Torres Strait Islander peoples.[23]

The Indigenous Repatriation Program facilitates the unconditional return of Aboriginal and Torres Strait Islander ancestral remains from overseas collections and the safe return of Indigenous ancestral remains and secret sacred objects held in major Australian museums to their communities of origin.

Where Indigenous communities are known, they are closely involved in the repatriation process. When ancestral remains cannot be identified to community, it is the view of Australian Indigenous peoples that the ancestral remains should be returned to Australia to be cared for and brought closer to home.

In 2016–17 we supported two repatriation handover ceremonies—in Berlin and London—from seven institutions.

23 Department of Communications and the Arts, 23 March 2017, Indigenous Repatriation Program—international factsheet.

FOCUS ON

INDIGENOUS REPATRIATION

For more than 150 years, Aboriginal and Torres Strait Islander ancestral remains and secret sacred objects were removed from their communities for various reasons and placed in museums, universities and private collections in Australia and overseas.

Following negotiations with three German collecting institutions and relevant Indigenous communities, a repatriation handover ceremony of Australian Indigenous ancestral remains was held on 23 March 2017 in Berlin.[24] Direct descendants and community members attended the event at which they performed traditional ceremonies and spoke of the significance of repatriation to their families and communities.

Ngadjon-Jii Elder, Aunty Vera Ketchell, commented during the ceremony, 'This is only the start of the journey. The important ceremony for the Ngadjon-Jii community and family begins when we return granddad Barry to the rainforest and guide his spirit back to Country.'

International cultural diplomacy

We create opportunities for Australian arts and culture abroad by engaging new markets and audiences through the International Cultural Diplomacy Arts Fund (ICDAF). This fund supports activities that promote the Government's international arts and cultural engagement and cultural diplomacy priorities, and assists the Government to meet Australia's international arts and culture commitments. Through strategic and targeted investment, we have achieved strong cultural diplomacy outcomes.

In 2016–17, funding was provided for 13 activities through ICDAF. One of these activities supported Erub Arts Centre to take an exhibition of ghost net sculptures to the Asian Civilisations Museum in Singapore, providing opportunities for Aboriginal and Torres Strait Islander artists from the remote Erub Island community in the Torres Strait to contribute to the strong arts and cultural relationships between Australia and Singapore. In addition to these cultural diplomacy benefits, Erub's exhibition and associated education program with Singaporean and Australian schoolchildren have had broader cross-portfolio benefits by showcasing Aboriginal and Torres Strait Islander arts and culture on the world stage, and highlighting the importance of protecting oceans from discarded fishing nets.

24 Senator the Hon Mitch Fifield, 25 March 2017, First Australians' ancestral remains return to country.

Strengthening our capability

Our work to improve the skills and leadership of staff ensures that the Department has the capability to deliver outcomes that support our purpose.

Table 2.6 Performance criteria outcomes

Criteria	Target	Source	Outcome
We demonstrate high level, strategic leadership and corporate citizenship across Government, the portfolio and within the Department. We will create opportunities for our people to demonstrate outstanding public sector leadership skills at all levels. We work to embed a culture of collaboration, innovation, high performance and respect.	Design and deliver capability development programs that increase individual and organisational leadership, management, and public policy and program management skills	Corporate Plan 2016–17, p. 13	**Met.** See analysis on p. 51
	The Executive Leadership Team is focused on developing the leadership capabilities of our staff and the culture of the Department	Corporate Plan 2016–17, p. 13	**Met.** See analysis on p. 52
We continue to be an early adopter and user of effective and innovative technologies. We will continue to recruit, develop and retain skilled and motivated staff. We ensure our corporate functions provide systems and processes which support the delivery of our strategic priorities and will strengthen our business planning, prioritisation, resourcing and performance management processes. Our organisation supports continuous learning.	The Department leads the way across the Australian Public Service (APS) in effective and innovative use of leading-edge information and communications technologies, and flexible work practices	Corporate Plan 2016–17, p. 13	**Met.** See analysis on p. 53 and p. 54

Criteria	Target	Source	Outcome
We will continue to improve our capability in designing rules-based regulation and other market interventions to deliver effective policy outcomes. Focusing on this capability enhances the quality of our advice to the Government on 'best fit' regulatory solutions to policy issues.	The Department provides regulatory solutions which are best fit and the Department provides high quality advice	Corporate Plan 2016–17, p. 13	**Met.** Over the year: • Our Office of the General Counsel arranged training for policy and legal officers on best practice regulation and contributed to whole-of-government information sharing through the Senior Executive Service Working Group of Regulation Reform hosted by the Department of the Prime Minister and Cabinet. • We provided regulatory solutions relating to media reform, telecommunications reforms, spectrum management and interactive gambling.

Over the year we continued to invest in a wide range of development programs and initiatives that build individual and collective capability, including leadership and management, public policy, quality conversations and performance training, program and project management, addressing unconscious bias, stakeholder engagement, writing for Parliament, about the Budget and about Parliament.

We measure the effectiveness of these programs through staff participation, feedback and data from the 2017 Australian Public Service (APS) employee census.

APS census results indicate that staff believe the courses offered by the Department support effective learning. They also show we are 15 per cent above the APS average and 7 per cent above the average for policy agencies in terms of staff agreeing or strongly agreeing there is access to effective learning and development.

FOCUS ON

PERFORMANCE CONVERSATIONS

Over the year, we implemented our Performance Conversations Framework which underpins our high performance culture. We continued to build the capability of our staff and managers to engage in forward-looking growth conversations, and intervene early to support staff who were not meeting their performance expectations. The 2017 APS employee census results show that in comparison to the APS as a whole, our departmental staff:

- engage more frequently in formal (+9 per cent) and informal (+12 per cent) performance feedback
- agree that the feedback improves performance (formal +6 per cent and informal +8 per cent)
- agree that expectations are clear (+7 per cent) and performance management has been useful for their development (+7 per cent)
- agree that performance discussions help their understanding of what is required (+9 per cent) and that their agreement reflects what they are expected to deliver on a day-to-day basis (+11 per cent).

Our framework was recognised externally by the Institute of Public Administration Australia, the Australian Public Service Commission, The Mandarin, the Deputy Secretaries Reform Group, the Australian Government Leadership Network and the Australian National Audit Office (ANAO). The ANAO highlighted our effective engagement with, and resolution of, cases of underperformance as a leading example of good practice in its report *Managing Underperformance in the Australian Public Service* tabled in May 2017.

Organisational culture

In 2016–17, we held a number of activities to contribute to organisational culture, including: the Secretary's Leadership Seminar Series, an 'Ideas Incubator', debates and hypotheticals, Reward and Recognition Program (#thankyou) events, and the development and launch of the Diversity and Inclusion Strategy.

These activities created opportunities for our people to demonstrate public sector leadership skills and enhance our collaborative and innovative organisational culture. Effective leadership and organisational culture underpins and supports all departmental strategic objectives.

APS census results show that in comparison to the APS as a whole, our departmental staff are more engaged with their job, team, supervisor and agency.

Our staff rate the quality, visibility, communications, alignment of work effort and change leadership of their immediate Senior Executive Service (SES) manager well above the APS benchmark (from +11 to +18 per cent). Staff also rate the senior leadership of all SES above the APS benchmark (+3 to +7 per cent).

Our staff are also more positive than their APS peers in relation to workplace culture: respect for colleagues (+6 per cent), consultation about change (+12 per cent), work–life balance (+11 per cent) and demonstration of the APS Values (+7 to +13 per cent).

Flexible working arrangements and the use of leading-edge technologies

During the year, we reviewed our Flexible Work Policy to better leverage opportunities for increased flexibility. Some 17 per cent of staff have formal flexible working arrangements in place, a similar percentage to the 2015–16 rate. This is expected to increase with the implementation of the revised Flexible Work Policy and as better data are captured about informal flexible working arrangements.

In 2016–17, we delivered a number of new internal information and communications technology (ICT) services. These services improved the agility of the organisation, provided enhanced user access, simplified user services, and increased financial or sustainability efficiencies in support of departmental and whole-of-government outcomes. Our technology solutions will be a key enabler of flexible work practices that support organisational requirements as we transition to the Nishi building in 2017–18.

We measure the effectiveness of our ICT systems and flexible working arrangements through staff participation, feedback and data from the 2017 APS census. The APS census indicates an increase of 5 per cent in staff who are satisfied or very satisfied with access to flexible working arrangements compared to the previous year.

FOCUS ON

LEADING-EDGE ICT IMPLEMENTATION

We lead the APS as an early adopter of ICT services. Our use of technology enables agility in meeting the expectations of the Government, provides flexible working arrangements for staff, and supports diversity in the workplace. In 2016–17, we undertook work to refresh the Department's ICT in preparation for our move to the Nishi building in 2017–18. Work undertaken this year has been delivered within the scope, timeframes and budget agreed at the commencement of the project.

The new capability will further enhance staff access to communication and collaboration services across geographical locations, from work or at home, with access to content sharing, and voice and video conferencing. Staff nationally will have access to the following new services:

- **unified communications**—to improve mobility and collaboration by enabling staff to communicate through voice and video calling and share their desktop and content
- **video conferencing**—allowing staff to access video conferencing between offices and with major stakeholders that is easy to book and use, reducing reliance on corporate support staff and the need for travel to interstate meetings
- **wireless communications**—with high bandwidth, to support a flexible workforce. An enterprise-grade secure wireless solution is being installed at all locations to ensure staff have technology that facilitates mobility and flexibility of work styles.

This capability investment is a multi-year project with the focus in 2016–17 being on staff engagement, and the planning, design and build of the new technology.

The new technology comes with an analytics capability that will assist in measuring the effectiveness of the new environment. It will influence future enhancements of the new services across the organisation, maximising perceived benefits in supporting outcomes. Reporting in 2017–18 will include a benefit realisation assessment to indicate the extent to which the new capability is improving outcomes for the Department.

SECTION 03
MANAGEMENT AND ACCOUNTABILITY

This section provides information about corporate governance and performance, our people, and financial management.

Corporate governance and performance	**58**
Our people	**66**
Financial management	**75**

Corporate governance

Compliance with section 10 of the Public Governance, Performance and Accountability Rule (PGPA Rule)

Our fraud control arrangements comply with section 10 of the PGPA Rule and the Commonwealth Fraud Control Framework. A department-wide fraud risk assessment was carried out in 2016–17. It found that the fraud control environment in place for corporate processes and administered programs is commensurate with the structure and size of the Department.

Compliance with section 19 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and sections 17A(2)(d) and (e) of the PGPA Rule

There were no instances of significant non-compliance with finance law reported in 2016–17.

Management committees

Executive Leadership Team (ELT)

The ELT, comprising the Secretary, Deputy Secretaries and First Assistant Secretaries, provides support to the Secretary in discharging their statutory roles as:

- principal policy advisor to the Minister for Communications and the Minister for the Arts, and the Minister for Regional Communications
- manager of government programs, to achieve portfolio and whole-of-government outcomes
- leader within the Department and across the Australian Public Service (APS)
- an accountable authority under the PGPA Act.

The ELT supports the Secretary through:

- providing collective advice on whole-of-department and portfolio issues
- collaborating on policy development, resource management and organisational capability development
- actively promoting and modelling the Department's agreed culture and corporate values.

Executive Committee

The Executive Committee of the Department incorporates ELT members and the Chief Risk Officer. The Executive Committee is a decision-making body that meets weekly to discuss current and emerging issues relevant to the Department and portfolio. Departmental staff are regularly invited to attend 'ExCom' meetings to engage in discussions on agenda items relevant to their work area, and minutes of the meetings are made available to all staff on the intranet.

Audit Committee

The Audit Committee provides independent advice and assurance to the Secretary on the appropriateness of financial and performance reporting, the system of risk oversight and management, and internal controls.

The Audit Committee comprises external and internal members and has an independent chair. The majority of committee members are external.

The Audit Committee met five times in 2016–17. The Department's Performance and Financial Statements Subcommittee of the Audit Committee, which assists with the Department's financial and performance reporting responsibilities and other related matters as requested by the Audit Committee, met six times in 2016–17.

Investment Committee

The Investment Committee provides strategic advice to the ELT on our significant financial investments. This includes considering proposals and providing guidance on medium and longer term investments, as well as monitoring the implementation and management of projects and new initiatives.

The Investment Committee met seven times in 2016–17, approved funding for 17 new proposals and oversaw the successful completion of nine projects. The remaining projects that commenced in 2016–17 are due for completion early in the new financial year.

Health and Safety Committee

The Health and Safety Committee is a key forum that supports our safety culture. It is an integral component of our Workplace Health and Safety (WHS) Framework and has responsibility for achieving positive outcomes for the Department in the management of WHS issues. The Health and Safety Committee met four times in 2016–17.

Workplace Consultative Committee

The Workplace Consultative Committee is the principal forum through which formal consultation and discussions on workplace relations matters take place between management and employees. The Workplace Consultative Committee met three times in 2016–17.

Business Planning Framework

Our Business Planning Framework includes the identification, documentation and regular monitoring of risks and mitigation strategies.

Risk management and fraud control

During 2016–17, the Department recruited a Senior Executive Service (SES) officer to the position of Chief Risk Officer to lead the newly established Risk and Audit Branch. The Department's Risk Management Framework includes our Risk Management Policy, Risk Management Instruction and Fraud Control Plan. An independent review of the Department's Risk Management Framework was undertaken during the year to review the Department's approach to risk. Work is underway to update the Risk Management Policy, Risk Management Instruction and Fraud Control Plan as recommended by this review.

The enhanced Risk Management Framework facilitates a culture that promotes an open and proactive approach to managing risk. It encourages risk assessment, informed risk taking, and the anticipation and treatment of risk in delivering our objectives. Our risk oversight includes regular monitoring and reporting on the risk environment to both the Audit Committee and the ELT.

Business continuity planning

Our Business Continuity Plan outlines policies, procedures and responsibilities to support the continuity of our key activities in the event of a business interruption. A business impact analysis was conducted in 2016–17 to identify our most critical business processes, the activities and resources required to support those processes, and the completeness of our current response strategies. This exercise will inform both an update to our Business Continuity Plan and a simulation exercise to be conducted in 2017–18. Our current Business Continuity Plan was last updated in 2015–16.

Internal audit

During 2016–17, internal audit services were provided by Ernst & Young, Charterpoint, RSM Australia and Protiviti. The delivery of these audit services was overseen by our internal audit team and the Audit Committee.

As at 30 June 2017, four internal audits (including two short 'in-flight' audits) were completed, and three internal audits were underway.

Recommendations were tracked and reported to the Audit Committee and the Secretary.

External scrutiny

In 2016–17, the Commonwealth Ombudsman made no investigation or inspection reports on the operations of our Department. During this period, there were no judicial decisions, decisions of administrative tribunals or decisions by the Australian Information Commissioner that had a significant impact on the Department's operations.

During the year, we took part in two Australian National Audit Office (ANAO) financial statement related cross-portfolio audits:

- Interim Report on Key Financial Controls of Major Entities—published 28 June 2017.
- Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016—published 23 January 2017.

In 2016–17, two ANAO cross-portfolio Performance Audit Reports that involved our participation in 2015–16 were published:

- Award of Funding under the Mobile Black Spot Program—published 1 September 2016.
- Machinery of Government Changes (survey only)—published 31 August 2016.

In 2016–17, we took part in three ANAO performance audits which had not been published as at 30 June 2017:

- Management of the Contract for Telephone Universal Service Obligations.
- Administration of the National Broadband Network Satellite Support Scheme.
- Australia Post—Efficiency of Delivering Reserved Letter Services.

Client Service Charter

Our Client Service Charter offers a contact point for clients to resolve complaints with us. One formal complaint was received during the reporting period.

Freedom of information (FOI)

We received 30 FOI requests in 2016–17. This is 46 per cent fewer than 2015–16 (when 55 requests were received) but is in line with 2014–15 (when 31 requests were received).

Each of the requests finalised in 2016–17 was processed within the statutory processing period and involved requests for non-personal information. There were:

- six requests by or on behalf of Members of Parliament
- six requests from media organisations
- 18 requests from private individuals or made anonymously.

Documents released under FOI are published in our FOI disclosure log, unless an exception applies under the *Freedom of Information Act 1982* (FOI Act).

Entities subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS) under Part II of the FOI Act. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Visit our website to view our Information Publication Scheme Plan and FOI disclosure log.

Parliamentary committee inquiries

During 2016–17, we appeared before the Senate Standing Committee on Environment and Communications for Supplementary Budget Estimates, Additional Budget Estimates and Budget Estimates.

We also made appearances before, and submissions and responses to, parliamentary committee inquiries during the year (Table 3.1).

Table 3.1 Appearances before, and submissions and responses to, parliamentary committee inquiries

Committee	Inquiry
Senate Standing Committee on Environment and Communications—Legislation Committee	• Broadcasting Legislation Amendment (Media Reform) Bill 2016 • Interactive Gambling Amendment (Sports Betting Reform) Bill 2015 • Interactive Gambling Amendment Bill 2016
Joint Standing Committee on Electoral Matters	• Inquiry into and report on all aspects of the conduct of the 2016 Federal Election and matters related thereto
Senate Standing Committee for the Scrutiny of Bills	• Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017 • Commercial Broadcasting (Tax) Bill 2017
Senate Standing Committee on Regulations and Ordinances	• Radiocommunications (Aircraft and Aeronautical Mobile Stations) Class Licence 2016 [F2016L01294] • Radiocommunications (Spectrum Access Charges—2 GHz Band) Determination 2016 [F2016L01021] • Radiocommunications (Emergency Locating Devices) Class Licence 2016 [F2016L01399] • Radiocommunications (Spectrum Licence Allocation—700 MHz Band) Determination 2016 [F2016L01970]

Committee	Inquiry
Joint Standing Committee on Treaties	• Trans Pacific Partnership Agreement • Partial Revision of the 2012 Radio Regulations as incorporated in the International Telecommunications Union Final Acts of the World Radiocommunication Conference (WRC-15)
Senate References Committee on Environment and Communications	• Inquiry into the harm being done to Australian children through access to pornography on the internet
Senate Standing Committees on Economics—Legislation Committee	• Competition and Consumer Amendment (Misuse of Market Power) Bill 2016
Joint Standing Committee on the National Broadband Network	• Public hearing—23 June 2017
House of Representatives Standing Committee on Communications and the Arts	• Inquiry into the Australian film and television industry
House of Representatives Standing Committee on Petitions	• PN0033—Mobile Coverage—Sulphur Creek • EN0210—Postcodes—Suburbs covered by postcode 4306 • EN0165—Classification of Video Games • EN0166—National Broadband Phone Landline • PN0056—NBN—Rollout Ascot Exchange • EN0091—Website Censorship • EN0081—Community Television

Legal services

The Office of the General Counsel provided legal advice about portfolio issues and transactions, including:

- media reform
- spectrum reform
- telecommunications reform
- better practice regulation, including remaking significant regulations on sunsetting and productivity-enhancing reforms in both the arts and communications sectors
- departmental procurements and grants, including the Mobile Black Spot Program (rounds 1 and 2) and arts sector programs
- arrangements to facilitate the auction of 700 megahertz (MHz) spectrum
- copyright and intellectual property
- OPEL litigation
- administration of arts sector policies and programs.

During 2016–17, the Office of the General Counsel provided input on 11 portfolio bills and 25 portfolio legislative instruments. Appendix 3 provides further details about legislation.

Communications

Our focus in 2016–17 has been on streamlining our processes, supporting our Canberra office's move to new premises, and upskilling our staff to ensure we offer a high-quality and responsive service to our ministerial offices, staff and stakeholders. Following extensive work in 2015–16, we implemented a digital-first approach for our communication activities, and increased our use of video and graphic content to create contemporary, sharable and more accessible external information on our initiatives and programs. While continuing to maintain specialisation within the branch, we have provided training to cross-skill staff to make sure they have ability in basic web publishing, social media and imagery creation.

We continued to be closely involved with the design and implementation of the govCMS platform, including through the 'Have Your Say' website function which we have used to support 10 policy consultations over the year. User testing and collaboration with other government agencies has informed ongoing improvements to the function and ensures alignment with the Digital Transformation Agency's Digital Service Standard. The strength and versatility of the platform has been well received externally, and it has been successfully packaged and made available to all govCMS users, including state and local government departments and agencies. The new arts.gov.au website, which also uses the govCMS platform, went live in September 2016 following an extensive information architecture and content review.

Also in 2016–17, we reviewed our social media strategy to incorporate the arts portfolio and promote the importance of the arts in Australia. The new strategy has seen the @artsculturegov Twitter account achieve a 25 per cent increase in engagement and a 69 per cent increase in the number of tweets liked from the previous year. The communications and arts LinkedIn account also had a strong increase of 34 per cent in followers and the @CommsAu Twitter account experienced a 6 per cent increase in followers.

Preparing for the Department's relocation of its Canberra office to the Nishi building in the New Acton precinct enabled us to refocus how we communicate, collaborate and work with our colleagues. We developed and implemented a comprehensive communication strategy to promote the benefits of the relocation and to support staff throughout the move. This included an interactive and engaging suite of internal communications products designed to influence culture and the way staff work and engage with each other.

FOCUS ON

OUR MOVE TO THE NISHI BUILDING

The Department's Canberra office was located at 38 Sydney Avenue, Forrest, for 19 years. In July 2016, the Department announced it was moving to the Nishi building in New Acton in July 2017. Moving to the new premises is part of the Government's property consolidation program administered by the Department of Finance. The change provides an opportunity to enhance our organisational commitment to modelling work practices that demonstrate public sector innovation and transformation.

A staff survey conducted in early 2017 offered insights into the type of work environment staff most desired. These insights, in conjunction with ongoing staff feedback received over subsequent months, played a key role in determining the design of the new work environment.

A contemporary technology solution was designed to support a more connected, collaborative and mobile workforce. Skype for Business and laptop-based telephony was rolled out, resulting in a truly mobile environment where staff can work from anywhere they have an internet connection. Nishi's meeting rooms are supported with collaboration-enabling technology, including smart devices, Skype for Business, and voice and video conferencing capability.

An automated visitor management system and guest Wi-Fi network improves the experience of visiting stakeholders and interstate colleagues. The technology solution will be rolled out to Sydney and Melbourne offices, improving quality of connection and offering a consistent user experience for all staff.

The move sees Executive Level (EL) 2 staff transition from offices to leading their teams on the floor. A new development program has been endorsed by the Secretary, forming part of a longer term plan to build a stronger, more connected leadership cohort and enhance key capabilities for EL2s to lead through change.

In the lead-up to the move, an ongoing and open dialogue with staff was critical to maintaining an engaged workforce. We implemented a range of strategies to achieve this:

- A Workforce Flexibility Working Group was established, comprising representatives from each division to promote staff engagement and seek answers to questions or issues on behalf of their colleagues.
- An SES champions group supported staff by identifying potential issues early and providing regular and consistent messaging about the move. The ELT played an active role in communicating key messages through intranet blogs, divisional 'town hall' meetings and a fortnightly #Nishi News digital newsletter.
- A 'Nishi pop-up' space was created at Sydney Avenue, offering staff the opportunity to engage with key elements of their new workplace, including collaborative furniture, sit-to-stand desks and new soft phones.
- An intranet page and a comprehensive set of frequently asked questions were updated regularly to reflect staff feedback and address questions as they surfaced.

At Nishi, we will continue to embed our strong organisational culture that underpins our ability to deliver on our strategic priorities now and into the future.

Information and communications technology (ICT)

In 2016–17, we continued to build upon our ICT investment from previous years in improving access to leading-edge communication technologies. As part of our Canberra office's relocation to the Nishi building, we are refreshing our ICT.

We are implementing new capabilities across the organisation that will enhance staff access to communications, building on the Department's existing mobility platform. Staff will adopt new technology that will allow them to work collaboratively across geographical locations, both in and outside of the workplace, with access to content sharing, and voice and video conferencing.

The Department has completed the migration of its ICT services across to the 'cloud' in line with the Australian Government's 'cloud first' directive that was first announced in 2014. The adoption of cloud services is expected to reduce costs, increase productivity and improve service delivery, while maintaining data security.

At the completion of these activities, the Department will be one of the first Australian Government agencies to have adopted PROTECTED-level cloud-based services.

Environmental performance

We have maintained our commitment to continuing and improving our environmental performance through various initiatives:

- An upgrade of our printing capability has allowed us to reduce our printer to staff ratio for Canberra-based staff from 9:1 to 47:1, with a related reduction in consumables.
- We are moving away from individual desk bins to promote an increased focus on recycling organic waste.
- The installation of Dyson Airblade hand dryers has significantly reduced the consumption of paper towel.

The Department is committed to complying with the sustainability targets consistent with the six-star Nishi building.

Compliance of section 24Y of the *Australian Broadcasting Corporation Act 1983*

We provided secretariat support to the independent Nomination Panel for Australian Broadcasting Corporation (ABC) and Special Broadcasting Service Corporation (SBS) Board appointments for two merit-based selection processes. The first process involved the SBS Chairperson position and two non-executive Director positions on each of the ABC Board and the SBS Board. This process was completed in February 2017. The second process involved the ABC Chairperson position and was completed in March 2017.

Our People Plan

During 2016–17, we reviewed our People Plan. Our plan sets out our people strategies to ensure we have the organisational culture, capability and capacity to deliver quality outcomes for the Government. The plan was developed with input from staff and leaders to respond to the practical issues and challenges presented by our environment. The plan is supported by a roadmap that outlines specific actions and timelines.

The key areas of focus in our People Plan include deepening our culture and engagement, a greater focus on strategic workforce planning, continuing to strengthen our capability and optimising our talent. We will create an environment that enables an agile and high-performing workforce and ensures equality, diversity and inclusion.

Staff engagement

We continue to be focused on building an organisational culture in which our values and behaviours make the Department a great place to work. Targeted activities aimed at building staff engagement and embedding culture are delivered through the Departmental Engagement Taskforce (the taskforce) and key human resource initiatives and programs.

The taskforce provides a forum for groups to collaborate and drive initiatives, enhancing our culture in a coordinated way. The groups and networks represented on the taskforce include the:

- Social Club
- Social Media Network
- Gender Equality Network
- Innovation Network
- Workplace Consultative Committee
- Executive Leadership Team
- Graduates.

The taskforce meets regularly to ensure individual network/group events are aligned with our broader cultural objectives.

Key areas of focus for the taskforce in 2016–17 included:

- supporting the move of Canberra-based staff to the Nishi building, including engagement activities to personalise the new workspaces
- development and implementation of the Culture Hub, which brings together material and insights on organisational culture on the intranet
- facilitating a cultural 'hypothetical' event
- providing #thankyou Keep Cups for staff who were nominated by their peers as part of our Reward and Recognition Program.

Secretary's seminars on leadership in 2016–17 saw presentations from David Thodey (Chair of CSIRO and former Chief Executive Officer (CEO) of Telstra and a member of Male Champions of Change) on innovative leadership, and Andrew Stevens (former Managing Director of IBM Australia and a member of Male Champions of Change) on adaptive leadership.

Staff engagement measures from the Australian Public Service Commission's employee census show increased levels of engagement with job, supervisor, team and agency. The Department's engagement levels in each of the four measures exceed the APS results.

Capability development and performance improvement

In 2016–17, our approach to developing capability focused on leadership and management, public policy and core workplace skills. Across several programs there was a strong focus on the integration of neuroscience theories and strategies to enhance understanding of, and improve approaches to, communication, addressing unconscious bias, motivation and performance, peer coaching and team leadership.

We continued to build capability in the area of performance conversations. The CONNECT: Continuing Performance Conversations Program helped managers to build the capability and confidence to drive improvement, lift engagement and increase staff performance. This year CONNECT was delivered to five cohorts of managers with a total of 53 participants. Ninety per cent of respondents to the program evaluation indicated they felt better equipped to have conversations that grow and develop their direct reports. The Effective Interactions Program helped staff to enhance their conversational intelligence and skills. This year, the Effective Interactions Program was delivered to three cohorts of staff with a total of 30 participants, who learnt strategies to apply to everyday interactions, managing upwards and enhancing trust and rapport. Program evaluation shows that 97 per cent of respondents said the program enhanced their knowledge and understanding, and that they were able to apply their learning at work.

The Leading Public Policy series provided experienced policy practitioners with opportunities to extend their expertise and consider policy-making in a broader national and international context. Delivered by leading Australian National University academics, five workshops were delivered to 63 staff and covered topics including stakeholder engagement, policy development and communication.

Our bespoke Leadership and Management Program (LAMP) continued with two cohorts of EL1 and EL2 managers participating this year. Pre- and post-program data show positive shifts in a range of measures, including collaboration, resilience and confidence, decision-making, understanding the strategic context of the Department and proactively engaging with teams. There are broader cultural and engagement benefits from this program, including increased manager confidence, greater awareness of work across the Department, and opportunities to collaborate and connect.

The highly interactive DECIDE Program provided staff with an opportunity to learn about unconscious bias. Participants learnt to use a three-step strategy—accept, label and mitigate—as well as several neuroscience models and tools. These strategies are helping staff identify ways to remove bias from organisational processes and build new habits. In addition to workshops and information sessions, staff are supported to continue learning throughout the year with a series of 'deep dive' intranet stories and links to external research, readings and tools.

Our secondment program continued to be a valuable mechanism for building our capability and enhancing organisational relationships and connections. Fifteen of our employees took secondments to external organisations in 2016–17 and 13 employees joined us from other agencies.

In addition to a broad range of events, programs and workshops, our Learnhub system continues to provide flexible access to online learning. This includes eLearning modules, Mind Tools resources and Lynda.com[25] videos, which are well used by staff—6,500 Lynda.com videos were viewed this year by 402 staff.

We also provided assistance to 44 employees who were undertaking external study activities. For approved staff, assistance included study leave and financial support to undertake formal qualifications.

25 Lynda.com is an online learning platform available to our staff.

Our 2017 Graduate cohort participated in a range of development activities to support their internal work rotations, including effective conversations; project management and Information Management System (IMS) training; visits to Parliament House, including the Senate, the House of Representatives and Senator Nash's Office; team communications workshops; GradHack; and the 21st Century Service Program, which is focused on responding to a new age of smart machines and disruptive technology.

In 2016–17, we continued our focus on embedding and maturing our Performance Conversations Framework (see 'Focus on performance conversations' in Section 2 of this report).

Workplace diversity

In 2016–17, we focused on implementing our Diversity and Inclusion Strategy 2016–19.

Our aim is to improve access, diversity and inclusion within the Department to ensure that each employee can achieve their full potential, and that we have a rich workforce that reflects the community we live in and serve. Inclusive leadership, a respectful culture, and flexible work and digital technologies will help us to attract, recruit, develop and retain a diverse workforce.

The Diversity and Inclusion Committee met for the first time in October 2016. The committee, made up of SES-level diversity champions, staff representatives and staff network representatives (Gender Equality Network and the Indigenous Staff Network), is chaired by the First Assistant Secretary, Corporate. The committee is responsible for implementing our Diversity and Inclusion Strategy. Since October 2016, the committee has met every six weeks to discuss themes including gender equality; disability; cultural and linguistic diversity; lesbian, gay, bisexual, transgender, intersex, queer and other (LGBTIQ+) matters; and Indigenous issues.

The SES-level diversity champions lead a subcommittee of staff who are passionate about promoting and supporting diversity in the Department.

The Department is a member of a range of working groups across the APS to ensure engagement with diversity at a whole-of-government level. This includes the Secretaries Equality and Diversity Council, the APS Equality and Diversity Working Group and the APS Disability Champions Committee, which all aim for a unified approach to implementing whole-of-government strategies.

Our Secretary, Dr Heather Smith PSM, represented the Department on the Secretaries Equality and Diversity Council, and as the Disability Champion on the APS Disability Champions Network, and was a member of the Department's Diversity and Inclusion Committee.

Implementation of each of the following action plans that underpin our Diversity and Inclusion Strategy was progressed through 2016–17:

- Gender Equality
- Disability Access and Inclusion
- Indigenous Employment
- Carers
- Generational
- Culturally and Linguistically Diverse (CALD)
- Lesbian, Gay, Bisexual, Transgender, Intersex, Queer and other (LGBTIQ+).

Implementation of our Gender Action Plan was a key focus in 2016–17. Overall progress and specific initiatives are presented in detail in this section.

In October 2016, we launched our Domestic Violence Policy at an event where staff heard from Rosie Batty, 2015 Australian of the Year; Libby Davies, CEO of White Ribbon Australia; and Robyn Martin, Manager of Beryl Women Inc., a Canberra-based women's refuge. A range of domestic and family violence support resources were also provided through Health Hub on our intranet.

We continued our involvement with the Australian Network on Disability, again sponsoring their annual conference and continuing our participation in the Stepping Into Program. We celebrated International Day of People with Disability in December 2016 with Nas Campanella, newsreader on radio station Triple J, sharing her experiences with staff in an event streamed to all of our office locations.

Our 2018 Graduate Program recruitment campaign was advertised under the new affirmative measure for recruiting people with disability. We were the first APS Department to advertise a position under this new measure. The Graduate Program was also promoted to over 45 university-based disability and inclusion centres, with centres promoting the program to students.

We have continued to focus on Indigenous employment and implementing the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy. Our contribution to increasing the representation of Indigenous employees to meet our target of 4.5 per cent by 2018 is progressing. As at 30 June 2017, we have 19 employees who identify as Indigenous (3.6 per cent of our workforce). In 2016–17, we welcomed two new employees through the Indigenous Australian Government Development Program and the Indigenous APS Graduate Development program.

We also participated in the Work Experience Program Expo 2017, promoting the Department's potential career pathways to 52 high-performing Aboriginal and Torres Strait Islander students from across Australia, currently completing their final years of high school. Students were captivated with stories of our Indigenous language, arts and repatriation programs. The Australian language and arts centre project map was also popular with students pointing out their local art centre and family connections.

The Department's approach to addressing unconscious bias at work seeks to increase awareness of, identify and mitigate biases in decision-making and business processes.

Our approach includes:

- blended learning, featuring a range of online and face-to-face development, such as videos, articles, podcasts, research reports, eLearning modules and workshops
- phased delivery over several months, which allows for optimal information retention, recall and accessibility
- integration of information about unconscious bias into other initiatives, such as our LAMP, Induction and the recruitment online module.

We celebrated Harmony Day in March 2017 with a panel discussion, which included staff from CALD backgrounds. CALD staff also shared their stories—#everyonebelongs—through a series of intranet articles. Staff then hosted international food stalls.

FOCUS ON

OUR GENDER ACTION PLAN 2017–19

In January 2017, the Department finalised our Gender Action Plan. It is a comprehensive plan and outlines ambitious stretch targets. Our plan is considered best practice by the Australian Public Service Commission and has been used as a benchmark example across the APS.

Following its finalisation, the Secretary shared our Gender Action Plan with all portfolio agencies, and it was published on the Department's website.

The Department was also recognised in *The Mandarin* on 11 May 2017 as having an 'exemplary Gender Action Plan' which incorporates mechanisms to ensure gender equality issues are everyone's responsibility. In particular, it noted the Department's work around staff focus groups on diversity and equality issues, with the aim to have messages and actions spread throughout the Department.

Our plan contains three priority strategies to move us towards the goal of gender equality:

- addressing unconscious bias
- building a Department that is clear and consistent in its understanding and application of flexible work principles
- providing increased support and talent management strategies for women seeking to move into the Executive Level classifications.

From February to June 2017, significant progress was made in addressing unconscious bias through the design and rollout of the interactive DECIDE Program. The program assists staff in identifying ways to remove biased organisational processes and build new habits. The program is supported by a series of 'deep dive' intranet stories and links to external research, readings and tools.

The Department reviewed its Flexible Work Policy in 2016–17. The review led to enhanced clarity around the meaning and application of flexible work in the Department, and the relationship to how, where and when we work. Guidelines were developed to support consideration and approval processes. The review also strengthened the links between the policy, our Corporate Plan, and our Diversity and Inclusion Strategy.

The implementation of our Gender Action Plan is strongly supported by the internal staff-led Gender Equality Network (GEN). The GEN is led by two rotating chairs, supported by a network of contributors, and at least two SES champions. As at June 2017, there were 75 GEN members, which is 13 per cent of the Department's workforce. The GEN holds member meetings every six to eight weeks.

In 2016–17, the GEN organised various internal events attended by 581 employees, including:

- a 'brown bag lunch' informal presentation by Fiona Jolly, CEO of the Advertising Standards Bureau, about the representation of women in the media and advertising, and work–life balance
- a 'Pink Ribbon' morning tea, to raise awareness of and funds for breast and gynaecological cancers
- 'Movember' activities, to raise awareness of and funds for men's health
- a cross-agency event to mark International Day for the Elimination of Violence Against Women, organised by the Attorney-General's Department
- a 'caring matters' panel discussion, to raise awareness of the range of caring roles held by staff and their experiences fulfilling these alongside professional commitments
- three screenings of the documentary film Embrace, held in Canberra, Melbourne and Sydney, to reinforce the synergies between positive self-image (a theme of the film) and healthy living
- a presentation by Libby Lyons, Director of the Workplace Gender Equality Agency, to discuss aspects of gender equality and workplace equality relevant to our Department
- a series of five 'brown bag lunches' as part of 'Mentor in May' to support the establishment of our Mentoring Program, where 17 of the 38 mentors volunteered their lunch time to talk with staff about their experiences and what they could offer as a mentor. This followed the launch of the Department's Mentoring Program, which was developed by the GEN and is a key action in our Gender Action Plan.

Over the year through fundraising, $6,868 was donated to the Cancer Council and Movember, and to frontline services at the Domestic Violence Crisis Service and Beryl Women Inc.

Externally, the GEN arranged attendance at nine professional development events—five in Canberra, and two each in Melbourne and Sydney. The GEN supported 40 places for GEN members and departmental staff to attend these events.

We expect our Gender Action Plan to be reviewed and updated over its life to reflect emerging priorities and insights, as well as completed actions, and to set new stretch actions and targets for ourselves. The Department has strategies in place to move up a maturity level for each domain by the end of 2019.

As at 30 June 2017, our ongoing staff gender profile is 62 per cent female and 38 per cent male. At the Senior Executive levels, the gender profile is 61 per cent female and 39 per cent male.

Disability reporting

Since 1994, Australian Government departments and agencies have reported on their performance as policy advisor, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on any of these functions.

The Commonwealth Disability Strategy was superseded by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

Reward and recognition

Our Reward and Recognition Program—#thankyou—supports and encourages us to recognise and reward each other when we demonstrate desired values, behaviours and performance levels, and contribute to an innovative, collaborative and high-performing culture.

The #thankyou initiative underpins a strong culture of informal recognition, where recognising and rewarding each other's efforts and behaviours is regular, consistent and part of our day-to-day way of working.

More formally, #thankyou recognises the highest of achievements and most significant contributions to our culture. There are two formal components: the annual Australia Day Awards, held in January, and the Secretary's Award, held in August. In 2018, these two awards will be merged and held in January.

The Secretary's Award recognises exemplary behaviours and significant contributions that support the development of our desired departmental culture. Staff across all levels and divisions submitted a total of 26 nominations for 18 individuals. The 2017 Secretary's Award went to Adrian Daley, an EL2 officer from the Human Resources Branch, for his commitment to enhancing our positive workplace culture.

There were 16 nominations received for the 2017 Australia Day Awards. Four individuals and five teams were formally recognised for their outstanding achievements in working collaboratively and innovatively, showing exemplary leadership and delivering publicly recognisable results.

Workforce planning

In 2016–17, work commenced on designing a skills database that will provide for the capture and assessment of employee capabilities. This will give the Department a detailed understanding of our current employee capabilities, and enable more evidence-based approaches to staff development, establishment of project and surge teams, and succession planning.

We continue to improve our employee value proposition so that we are well positioned in the labour market as an employer of choice in the APS. We offer staff the opportunity to contribute to public policy and programs in an ever-evolving sector with a wide range of engaging content—our work touches almost every individual, household and business in Australia.

Our entry-level programs, which contribute to our supply of innovative, collaborative and skilled employees who will develop into future leaders, continue to grow. In 2017, we welcomed 11 Graduate employees—an increase of three when compared to 2016. We are looking to further increase the number of Graduate employees in 2018.

Flexible work

In 2016–17, we reviewed our Flexible Work Policy and Guidelines. Workplace flexibility encompasses how we work, where we work and when we work.

The Department's commitment to working flexibly is clearly articulated in our People Plan, and our 2016–17 Corporate Plan states that 'Our workplaces are flexible by default'. In addition, as part of our Diversity and Inclusion Strategy, we have agreed to adopt an 'if not, why not' approach to flexible work. Working flexibly is also a key component of our Gender Action Plan.

Workplace flexibility encompasses how we work in the office and allows staff to match their workspaces with their work type, through use of quiet spaces, collaboration places and technology. It also includes structures to manage surge capacity, and flexible job design and work practices.

Our leading-edge technology—which includes laptops for all employees, soft phones and Skype for Business—was rolled out in July 2017. This strongly underpins and enables flexible working arrangements in the Department.

Workplace health and safety

In 2016–17, the Department's priority on prevention strategies, through its health, wellbeing and early-intervention programs, has resulted in a reduction in Comcare premiums and resolution of both compensation and non-compensation claims. Initiatives that have supported this include:

- an early-intervention approach and associated fund
- centralised management of reasonable workplace adjustment
- Healthy Living Month
- Health Hub
- flexible working arrangements (enabled by our ICT mobility)
- the introduction of the online case management portal—Case Manager
- active social and workplace networks such as the Health and Safety Committee.

A Comcare audit of the Department's Rehabilitation Management System in 2016–17 demonstrated a significant improvement in compliance with the system.

We received no provisional improvement notices and had no notifiable incidents during 2016–17.

Terms and conditions of employment

Enterprise Agreement

Our Enterprise Agreement, which came into effect on 7 August 2015 and nominally expires on 7 August 2018, covers all non-SES staff employed under the *Public Service Act 1999*. In accordance with the Secretary's determination of 1 April 2016, eligible staff received a 2 per cent pay increase with effect from 7 August 2016. As at 30 June 2017, the Agreement covered 553 staff.

Senior Executive Service (SES) remuneration

The terms and conditions of employment for SES staff are contained in individual determinations made under subsection 24(1) of the *Public Service Act 1999*. These instruments set the remuneration and employment conditions for SES staff and provide for non-salary inclusions relating to leave arrangements and entitlements, superannuation, salary sacrifice, travel and payment of an allowance in lieu of a motor vehicle.

To ensure a consistent level of transparency of senior executive remuneration the Department has published the salary ranges and number of employees within those ranges, on our website. This will continue to be updated each financial year. This information can be found at www.communications.gov.au/who-we-are/careers/enterprise-agreement.

This section should be read in conjunction with our audited financial statements for 2016–17, which appear in the financial statements section of this report.

Financial overview

This section highlights the Department's financial performance during 2016–17 for both departmental and administered activities.

The Department's financial statements are presented from page 81 of this report. The ANAO issued an unmodified audit opinion of these statements on 22 September 2017.

Departmental finances

The Department's net cost of services for 2016–17 was $109.2 million, with revenue from government of $108.9 million, resulting in an operating deficit of $0.3 million. The surplus excluding depreciation was $4.6 million which primarily reflects an accounting adjustment to realign the lease arrangements at 38 Sydney Avenue, Forrest to end in November 2017.

Administered finances

Administered expenses increased by $376.4 million which reflects the Government's various decisions on amounts to be appropriated to each of the corporate Commonwealth entities and a full year impact of payments made to Arts portfolio entities acquired through the September 2015 Machinery of Government changes.

Administered income increased by $57.8 million primarily as a result of a dividend payment of $50.1 million received from the Australian Postal Corporation.

Administered financial assets increased by $3,301.20 million primarily as a result of changes in the net asset position of portfolio entities as at 30 June 2017 and the first time recognition of Old Parliament House due to a change in status from a non-corporate Commonwealth entity to a corporate Commonwealth entity from 1 July 2016.

Assets management

Our capital plan reflects the Government's priorities and business needs and complies with the financial management framework. We monitor asset acquisitions and disposals against this plan, and we carry out a risk-based annual stocktake for non-artwork targeting key asset classes or events to update and verify the accuracy of our asset records and review their condition and utility. A separate stocktake of all artworks held on premises by Artbank is completed annually, and leased artwork held by customers is subject to regular spot checks throughout the year.

Table 3.2 Summary of departmental financial performance and position

	2015–16 $m	2016–17 $m	Change last year	
Employee and supplier expenses	101.2	105.3	4.1%	▲
Depreciation	5.2	5.0	(3.8%)	▼
Other expenses	3.1	5.1	64.5%	▲
Total expenses	**109.5**	**115.4**	**5.4%**	▲
Revenue from Government	99.9	108.9	9.0%	▲
Other revenue	4.2	5.7	35.7%	▲
Gains	0.5	0.5	0%	
Total income	**104.6**	**115.1**	**10.0%**	▲
Net cost of services	**104.8**	**109.2**	**4.2%**	▲
Operating result (loss)	**(4.9)**	**(0.3)**	**(93.9%)**	▼
Financial assets	27.4	26.6	(2.9%)	▼
Non-financial assets	54.6	53.2	(2.6%)	▼
Liabilities	38.3	32.7	(14.6%)	▼
Net assets	**43.7**	**47.1**	**7.8%**	▲

Table 3.3 Summary of administered financial performance and position

	2015–16 $m	2016–17 $m	Change last year	
Grants	168.7	294.1	74.3%	▲
Other expenses	366.5	373.1	1.8%	▲
Payments to CAC Bodies	1,491.3	1,735.8	16.4%	▲
Total expenses	**2,026.5**	**2,403.0**	**18.6%**	▲
Sales of goods and rendering of services	3.0	4.3	43.3%	▲
Interest	2.5	2.6	4%	▲
Dividends	0.0	50.1	100%	▲
Other revenue	4.4	10.7	143.2%	▲
Total income	**9.9**	**67.7**	**583.8%**	▲
Financial assets	26,112.3	29,425.7	12.7%	▲
Non-financial assets	228.3	217.1	(4.9%)	▼
Liabilities	367.2	396.2	7.9%	▲
Net assets	**25,973.4**	**29,246.6**	**12.6%**	▲

Procurement

Our procurement policies and processes are consistent with the PGPA Act and the Commonwealth Procurement Rules, and appropriate controls are in place to make sure procurement is carried out in accordance with legislative requirements and the Commonwealth Procurement Rules.

We publish procurement activities and annual procurement plans on AusTender. Information on expected procurement activities in 2017–18 is included in our latest annual procurement plan and is also available on AusTender.

Consultants

We engage consultants to provide specialised professional services when we do not have the capability or capacity to perform these in-house, or where we need independent research, review, assessment or advice. Consultants are typically engaged to investigate or diagnose a specific issue or problem, carry out reviews or evaluations, and provide independent advice, information or solutions to help us make decisions.

Before engaging consultants, we take into account the skills and resources needed for the task, the skills available internally and the cost-effectiveness of engaging external expertise. Our policy for selecting and engaging consultants in 2016–17 was in accordance with the PGPA Act and the Commonwealth Procurement Rules: it is based on the core principle of achieving value for money.

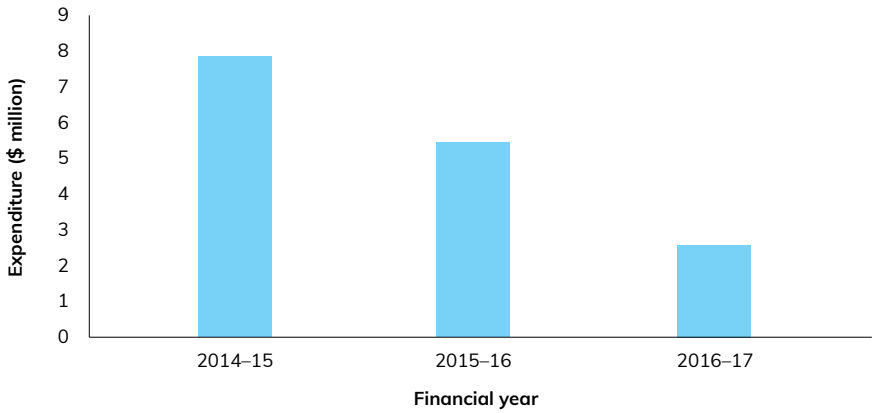
The main categories in which consultants were engaged are for the provision of:

- legal services
- auditing and accounting services
- economic services
- recruitment services
- other professional services, including in relation to engineering, broadcasting and telecommunications.

During 2016–17, 40 new consultancy contracts were entered into involving total actual expenditure during that period of $0.622 million. In addition, 19 ongoing consultancy contracts were active during 2016–17, involving total actual expenditure during that period of $1.959 million. Therefore, total consultancy expenditure during 2016–17 is $2.581 million.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

Figure 3.1 Expenditure on consultancy contracts, 2014–15 to 2016–17



Procurement initiatives to support small business

We support small business participation in the Australian Government procurement market. Small and medium-sized enterprises and small enterprise participation statistics are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

We have met government policy requirements in terms of supporting small and medium enterprises in the following ways:

- Our approach-to-market documents are clear and straightforward to help potential suppliers to produce a response that does not require extensive time and effort.
- Our financial management information system facilitates the payment of invoices on time, and identifies late payments so these can be remedied.
- We adopted the Commonwealth Contracting Suite for low-risk procurements valued under $200,000 (GST inclusive).
- Where procurements are considered low risk and their value is below the procurement threshold of $80,000 (GST inclusive), a streamlined process is followed.
- For procurements valued under $10,000 (GST inclusive), we encourage the use of payment by credit card.
- We have exceeded our portfolio target for supporting Indigenous businesses by raising awareness of the Commonwealth Indigenous Procurement Policy both within the Department and with our external portfolio agencies, many of whom are not bound by the policy. By teaming with our portfolio agencies, we have achieved 202 contracts worth $14.076 million, against a financial year target of 28.

We recognise the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are published by the Treasury on its website at www.treasury.gov.au/PublicationsAndMedia/Publications/2017/Pay-on-time-survey.

Auditor-General's access to contractor premises

During 2016–17, each competitively tendered contract of $100,000 or more (inclusive of GST) included a provision that allowed the Auditor-General access to the premises of the contractor.

Exempt contracts

During 2016–17, no contracts or standing offers were exempted by the Secretary from being published on AusTender on the basis they would disclose matters exempt under the FOI Act.

Grants

We have systems in place to ensure our grants programs are managed in accordance with the Australian Government's legislative framework, including the Commonwealth Grants Rules and Guidelines.

Information on grants awarded by the Department during 2016–17 is available on our website at www.communications.gov.au/who-we-are/department/funding-reporting.

SECTION 04
FINANCIAL STATEMENTS

This section contains the audited financial statements of the Department for the year ended 30 June 2017.





INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications, Minister for the Arts

Opinion

In my opinion, the financial statements of the Department of Communications and the Arts for the year ended 30 June 2017:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Department of Communications and the Arts as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Communications and the Arts, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and the Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the Financial Statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards – Reduced Disclosure Requirements. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of Communications and the Arts in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
Valuation of the Australian Postal Corporation Administered Investment *Refer to Note 4.1C 'Other Investments' and Note 7.5A 'Fair Value Measurements'*	The audit procedures applied to address the matter included: • evaluating the Department's approach for the valuation of the administered investment;

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I focused on this area due to the size of the balance and the judgement involved in determining the fair value of the Australian Postal Corporation administered investment asset. The discounted cash flow model used to determine the fair value of this administered investment requires a high level of judgement and estimation by the Department because the chief inputs to the valuation model are unobservable. For the year ended 30 June 2017 the value of the administered investment held for the Australian Postal Corporation was $2 614.0 million	• assessing the appropriateness of assumptions and inputs used in the Department's valuation model, including testing of the accuracy of amounts recognised in the valuation model against estimates and publications produced by the Australian Postal Corporation; • comparing key inputs used in the valuation model against market information related to the valuation of listed companies with comparable listed delivery operations; and • considering the sensitivity of the valuation methodology by adjusting key assumptions for reasonably foreseeable alternate scenarios

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of Communications and the Arts the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of Communications and the Arts' ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Lesa Craswell
Acting Executive Director

Delegate of the Auditor-General

Canberra
22 September 2017

Australian Government
Department of Communications and the Arts

2016-17 FINANCIAL STATEMENTS

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department will be able to pay its debts as and when they fall due.

Mike Mrdak AO
Secretary
22 September 2017

Sarah Vandenbroek
Chief Financial Officer
22 September 2017

Department of Communications and the Arts
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Department of Communications and the Arts
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**70,813**	66,037
Suppliers	1.1B	**34,469**	35,201
Grants	1.1C	**3,416**	2,313
Depreciation and amortisation	3.2A	**4,964**	5,166
Finance costs	1.1D	**41**	33
Write-down and impairment of assets	1.1E	**1,406**	800
Losses from asset sales	1.1F	**207**	-
Total expenses		**115,316**	109,550
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	1.2A	**4,146**	3,302
Rental income	1.2B	**222**	226
Other revenue	1.2C	**1,322**	696
Total own-source revenue		**5,690**	4,224
Gains			
Gains from sale of assets	1.2D	**-**	9
Other gains	1.2E	**457**	508
Total gains		**457**	517
Total own-source income		**6,147**	4,741
Net cost of services		**(109,169)**	(104,809)
Revenue from Government	1.2F	**108,851**	99,915
Deficit before income tax on continuing operations		**(318)**	(4,894)
Deficit after income tax on continuing operations		**(318)**	(4,894)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**-**	(750)
Total other comprehensive income		**-**	(750)
Total comprehensive income / (loss)		**(318)**	(5,644)

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	3.1A	**3,398**	2,059
Trade and other receivables	3.1B	**23,272**	25,364
Total financial assets		**26,670**	27,423
Non-financial assets			
Buildings	3.2A	**3,457**	5,197
Property, plant and equipment	3.2A	**40,726**	39,205
Intangibles	3.2A	**7,423**	9,177
Other non-financial assets	3.2B	**1,576**	1,024
Total non-financial assets		**53,182**	54,603
Total assets		**79,852**	82,026
LIABILITIES			
Payables			
Suppliers	3.3A	**3,119**	5,990
Grants	3.3B	**77**	-
Other payables	3.3C	**3,451**	4,620
Total payables		**6,647**	10,610
Provisions			
Employee provisions	6.1	**23,656**	22,872
Other provisions	3.4	**2,437**	4,843
Total provisions		**26,093**	27,715
Total liabilities		**32,740**	38,325
Net assets		**47,112**	43,701
EQUITY			
Contributed equity/capital		**66,423**	62,694
Reserves		**7,439**	7,439
Accumulated deficit		**(26,750)**	(26,432)
Total equity		**47,112**	43,701

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	Retained earnings		Asset revaluation reserve		Contributed equity/capital		Total equity	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance								
Balance carried forward from previous period	**(26,432)**	(21,538)	**7,439**	8,189	**62,694**	15,880	**43,701**	2,531
Adjustment for changes in accounting policies	**-**	-	**-**	-	**-**	-	**-**	-
Adjusted opening balance	**(26,432)**	(21,538)	**7,439**	8,189	**62,694**	15,880	**43,701**	2,531
Comprehensive income								
Surplus (Deficit) for the period	**(318)**	(4,894)	**-**	-	**-**	-	**(318)**	(4,894)
Other comprehensive income	**-**	-	**-**	(750)	**-**	-	**-**	(750)
Total comprehensive income	**(318)**	(4,894)	**-**	(750)	**-**	-	**(318)**	(5,644)
Contributions by owners								
Equity injection - Appropriation	**-**	-	**-**	-	**150**	-	**150**	-
Departmental capital budget	**-**	-	**-**	-	**3,579**	4,226	**3,579**	4,226
Restructuring [Note 8.1]	**-**	-	**-**	-	**-**	42,588	**-**	42,588
Total transactions with owners	**-**	-	**-**	-	**3,729**	46,814	**3,729**	46,814
Transfers between equity components	**-**	-	**-**	-	**-**	-	**-**	-
Closing balance as at 30 June	**(26,750)**	(26,432)	**7,439**	7,439	**66,423**	62,694	**47,112**	43,701

The above statement should be read in conjunction with the accompanying notes.

Accounting Policy

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets assumed from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Department of Communications and the Arts
CASH FLOW STATEMENT
for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		**116,356**	102,585
Sales of goods and rendering of services		**6,009**	5,840
Net GST received		**3,362**	3,575
Other		**1,404**	767
Total cash received		**127,131**	112,767
Cash used			
Employees		**73,011**	70,140
Suppliers		**43,029**	42,484
Grants		**3,673**	2,544
Section 74 receipts transferred to the Official Public Account		**6,261**	5,476
Total cash used		**125,974**	120,644
Net cash from (used by) operating activities		**1,157**	(7,877)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		**20**	21
Total cash received		**20**	21
Cash used			
Purchase of land and buildings		**771**	551
Purchase of property, plant and equipment		**2,502**	1,869
Purchase of intangibles		**1,351**	1,221
Total cash used		**4,624**	3,641
Net cash used by investing activities		**(4,604)**	(3,620)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		**-**	6,000
Departmental capital budget		**4,341**	3,236
Closure of special account		**-**	2,291
Cash from restructuring		**-**	1,000
Net transfer from the Offical Public Account		**2,186**	374
Total cash received		**6,527**	12,901
Cash used			
Transfer special account balance		**1,741**	-
Total cash used		**1,741**	-
Net cash from financing activities		**4,786**	12,901
Net increase in cash held		**1,339**	1,404
Cash and cash equivalents at the beginning of the reporting period		**2,059**	655
Cash and cash equivalents at the end of the reporting period	3.1A	**3,398**	2,059

The above statement should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
Expenses			
Suppliers	2.1A	**355,723**	348,728
Grants	2.1B	**294,080**	168,733
Depreciation and amortisation	4.2A	**9,855**	9,170
Finance costs	2.1C	**-**	1,285
Payments to corporate Commonwealth entities	2.1D	**1,735,754**	1,491,320
Other expenses	2.1E	**7,503**	7,264
Total expenses		**2,402,915**	2,026,500
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services	2.2A	**4,294**	2,974
Interest	2.2B	**2,560**	2,519
Dividends	2.2C	**50,100**	-
Rental income	2.2D	**4,539**	1,529
Other revenue	2.2E	**6,173**	2,913
Total non-taxation revenue		**67,666**	9,935
Total revenue		**67,666**	9,935
Gains			
Reversal of write-downs and impairment	2.2F	**-**	37
Total gains		**-**	37
Total income		**67,666**	9,972
Net cost of services		**(2,335,249)**	(2,016,528)
Deficit		**(2,335,249)**	(2,016,528)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**(1,411)**	1,544
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets		**(3,993,587)**	(1,950,149)
Total other comprehensive loss		**(3,994,998)**	(1,948,605)
Total comprehensive loss		**(6,330,247)**	(3,965,133)

This schedule should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Cash and Cash Equivalents	4.1A	**26,711**	-
Trade and other receivables	4.1B	**105,778**	120,274
Other investments	4.1C	**29,293,211**	25,991,971
Other financial assets	4.1D	**20**	19
Total financial assets		**29,425,720**	26,112,264
Non-financial assets			
Buildings	4.2A	**58,110**	58,207
Property, plant and equipment	4.2A	**156,135**	165,655
Other non-financial assets	4.2B	**2,875**	4,435
Total non-financial assets		**217,120**	228,297
Total assets administered on behalf of Government		**29,642,840**	26,340,561
LIABILITIES			
Payables			
Suppliers	4.3A	**335,349**	330,493
Grants	4.3B	**39,452**	15,551
Other payables	4.3C	**21,376**	21,187
Total payables		**396,177**	367,231
Total liabilities administered on behalf of Government		**396,177**	367,231
Net assets		**29,246,663**	25,973,330

The above schedule should be read in conjunction with the accompanying notes.

Department of Communications and the Arts
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2017

	2017 $'000	2016 $'000
Opening assets less liabilities as at 1 July	**25,973,330**	12,265,142
Adjustment for changes in the Public Governance Performance and Accountability (Financial Reporting) Rule 2015[1]	**36,400**	-
Adjusted opening assets less liabilities	**26,009,730**	12,265,142
Net (cost of)/contribution by services		
Income	**67,666**	9,972
Expenses		
Payments to entities other than corporate Commonwealth entities	**(667,161)**	(535,180)
Payments to corporate Commonwealth entities	**(1,735,754)**	(1,491,320)
Other comprehensive income		
Revaluations transferred from reserves	**(3,993,587)**	(1,950,149)
Asset revaluation reserve	**(1,411)**	1,544
Restructuring		
Telecommunications Universal Service Management Agency	**-**	(294,134)
Attorney-General's Department	**-**	8,860,168
Old Parliament House	**93,468**	-
Transfers to/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Asset and liabilities appropriations for payments to corporate Commonwealth entities	**7,224,746**	7,096,046
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	**395,098**	197,427
Payments to corporate Commonwealth entities	**1,735,754**	1,491,320
Loans to corporate Commonwealth entities	**-**	20,000
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**51**	96
Funds provided from related entity to special account	**217,744**	315,355
Appropriation transfers to OPA		
Transfers to OPA	**(99,681)**	(12,957)
Closing assets less liabilities as at 30 June	**29,246,663**	25,973,330

[1] Under the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 Division 6 (of Part 6) –Special Accounts section 48 (7) changes have been made that result in the requirement to disclose Administered special accounts held in the OPA as cash equivalents in the Department's Administered financial statements.

This schedule should be read in conjunction with the accompanying notes.

Accounting Policy
Administered Cash Transfers to and from the Official Public Account
Revenue collected by the entity for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Department of Communications and the Arts
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		**4 257**	3 102
Interest		**1,580**	1,501
Dividends		**50,100**	-
Net GST received		**48,078**	41,944
Other		**1,321**	2,773
Total cash received		**105,336**	49,320
Cash used			
Grants		**293,308**	160,644
Suppliers		**371,116**	381,995
Payments to corporate Commonwealth entities		**1,735,754**	1,491,320
Other		**7,306**	7,678
Total cash used		**2,407,484**	2,041,637
Net cash used by operating activities		**(2,302,148)**	(1,992,317)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans from corporate Commonwealth entities		**20,000**	-
Proceeds from return of equity by corporate Commonwealth entities		**23,388**	-
Total cash received		**43,388**	-
Cash used			
Loans to corporate Commonwealth entities		**-**	20,000
Corporate Commonwealth entity investments		**7,224,746**	7,096,046
Purchase of building		**1,649**	-
Total cash used		**7,226,395**	7,116,046
Net cash used by investing activities		**(7,183,007)**	(7,116,046)
FINANCING ACTIVITIES			
Cash received			
Funds provided from related entity for special account		**217,744**	-
Total cash received		**217,744**	-
Net cash from financing activities		**217,744**	-
Net decrease in cash held		**(9,267,411)**	(9,108,363)
Cash and cash equivalents at the beginning of the reporting period		**36,400**	-
Cash from Official Public Account			
Appropriations		**395,098**	197,427
Corporate Commonwealth entities appropriations		**8,960,500**	8,587,366
Loans to Corporate Commonwealth entities		**-**	20,000
Special Accounts		**-**	315,355
Special Appropriations		**51**	96
GST drawdowns from Finance		**49,878**	43,043
Total cash from official public account		**9,405,527**	9,163,287
Cash to Official Public Account			
Appropriations		**-**	6,488
Dividends		**50,100**	-
GST repayments to Finance		**48,124**	41,967
Other - receipts		**49,581**	6,469
Total cash to official public account		**147,805**	54,924
Cash and cash equivalents at the end of the reporting period		**26,711**	-

This schedule should be read in conjunction with the accompanying notes.

OVERVIEW

Objectives of the Entity

The Department of Communications and the Arts (the Department) is a Government controlled entity. It is a not-for-profit entity. The objective of the Department is to foster an enviroment in which all Australians benefit from access to diverse communication services and artistic and cultural experiences.

The Department is structured to meet the following outcomes:

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services

Outcome 2: Participation in, and access to, Australia's arts and culture through developing and supporting cultural expression

The continued existence of the Department in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the Department's administration and programs.

Activities that contribute to these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2015; and

b) Australian Accounting Standards and Interpretations - Reduce Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In relation to Administered Investments in Australia Post, management estimates are used to determine volume and price growth rates and the weighted average cost of capital that underpin the discounted cash flow valuation at the end of the reporting period. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

New Accounting Standards

All new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the Department's financial statements.

Future Accounting Standards

The following new, amending standards or interpretations were issued by the AASB prior to the sign-off date. All other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to current reporting period did not have a material effect, and are not expected to have a future material effect on the Department's financial statements.

The Department expects to apply AASB 16 Leases from 1 July 2019. This Standard will require the net present value of payments under most operating leases to be recognised as assets and liabilities. Currently the Department has a net $72 million in operating lease commitments.

Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

Departmental

There are no events that occurred after the reporting period that would materially affect the departmental financial statements.

Administered

There are no events that occurred after the reporting period that would materially affect the administered financial statements.

1. Departmental Financial Performance

This section analyses the financial performance of the Department of Communications and the Arts for the year ended 2017.

	2017 $'000	2016 $'000
1.1: Expenses		
1.1A: Employee Benefits		
Wages and salaries	**52,257**	47,847
Superannuation		
Defined contribution plans	**4,703**	4,136
Defined benefit plans	**5,505**	5,096
Leave and other entitlements	**6,393**	6,877
Separation and redundancies	**914**	1,059
Performance pay	**-**	6
Other employee expenses	**1,041**	1,016
Total employee benefits	**70,813**	66,037

Accounting Policy
Accounting policies for employee related expenses are contained in the People and relationships section.

1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants and contractors	**11,138**	12,081
IT services	**9,429**	7,903
Office requisites	**1,576**	1,274
Property	**1,742**	1,647
Training	**1,134**	1,141
Travel	**1,764**	1,717
Other goods and services	**2,993**	2,894
Total goods and services supplied or rendered	**29,776**	28,657
Goods supplied	**4,560**	3,806
Services rendered	**25,216**	24,851
Total goods and services supplied or rendered	**29,776**	28,657
Other suppliers		
Workers compensation premium	**347**	276
Operating lease rentals	**4,346**	6,268
Total other suppliers	**4,693**	6,544
Total suppliers	**34,469**	35,201

Leasing commitments

The Department in its capacity as lessee for 38 Sydney Avenue, Canberra is subject to a 3.5% fixed annual adjustment. The current term for the office accommodation expires on 21 November 2017.

The Department in its capacity as lessee for Level 46, 360 Elizabeth Street, Melbourne is subject to a 4% fixed annual adjustment. The lease terms expires on 3 April 2019.

The Department in its capacity as lessee for 23-33 Mary Street part level 5 & level 6, Sydney is subject to a 3% fixed annual adjustment. The lease terms expires on 14 May 2019.

The Department in its capacity as lessee for 222 Young Street, Sydney is subject to a 3% fixed annual adjustment. The current term for accommodation expires on 31 December 2023.

The Department in its capacity as lessee for 18-24 Down Street, Collingwood is subject to a 3% fixed annual adjustment with a market rent review in January 2025. The current term for accommodation expires on 31 December 2026.

From 1 July 2017 the Department took responsibility for the lease for 2 Phillip Law St, Canberra, which is subject to a 3.5% fixed annual adjustment with a market rent review in April 2018 and April 2023. The current term for accommodation expires on 14 December 2027.

	2017	2016
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	7,461	5,950
Between 1 to 5 years	34,282	4,828
More than 5 years	50,611	717
Total operating lease commitments	**92,354**	11,495

The above commitment amounts are GST exclusive

Accounting Policy
Where an asset is acquired by means of a finance lease, the asset is capitalised at the lower of the fair value of the leased property or, the present value of minimum lease payments at the inception of the contract. A liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.1C: Grants

Australian Government entities (related parties)	**2,978**	1,595
State and Territory Governments	**368**	718
Non-profit organisations	**70**	-
Total grants	**3,416**	2,313

1.1D: Finance Costs

Unwinding of discount	**41**	33
Total finance costs	**41**	33

1.1E: Write-Down and Impairment of Assets

Impairment of buildings	**-**	9
Impairment of intangibles	**1,406**	791
Total write-down and impairment of assets	**1,406**	800

1.1F: Losses from Asset Sales

Property, plant and equipment:		
Proceeds from sale	**(20)**	-
Carrying value of assets sold	**89**	-
Buildings:		
Proceeds from sale	**-**	-
Carrying value of assets sold	**138**	-
Net losses from asset sales	**207**	-

	2017 $'000	2016 $'000
1.2: Own-Source Revenue and Gains		
Own-Source Revenue		
1.2A: Sale of Goods and Rendering of Services		
Sale of goods	**7**	1
Rendering of services	**4,139**	3,301
Total sale of goods and rendering of services	**4,146**	3,302

Accounting Policy
Revenue from the sale of goods and rendering of services is recognised when:
a) the risks and rewards of ownership have been transferred to the buyer; and
b) the entity retains no managerial involvement or effective control over the goods.
The stage of completion of contracts at the reporting date is determined by reference to:
a) surveys of work performed;
b) services performed to date as a percentage of total services to be performed; or
c) the proportion that costs incurred to date bear to the estimated total costs of the transaction.
Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Rental Income		
Rental reimbursements for car parking	**222**	226
Total rental income	**222**	226

The Department in its capacity of lessor will be subleasing two floors at 2 Phillip Law St, Canberra as of the 1 July 2017. The lease is subject to a 3.5% fixed annual adjustment, with a market rent review in April 2018 and April 2023. The current term for accommodation expires on 14 December 2027. A letter of intent was signed on 27 June 2017 and the Memorandum of Understanding was executed on 8 August 2017.

Commitments for sublease rental income receivables are as follows:		
Within 1 year	986	-
Between 1 to 5 years	7,386	-
More than 5 years	11,580	-
Total sublease rental income commitments	**19,952**	-

The above commitment amounts are GST exclusive

1.2C: Other Revenue		
Refunds from prior year payments	**231**	260
Special account contributions	**1,045**	195
Other	**46**	241
Total other revenue	**1,322**	696
Gains		
1.2D: Sale of Assets		
Property, plant and equipment:		
Proceeds from sale	**-**	21
Carrying value of assets sold	**-**	(12)
Net gain from sale of assets	**-**	9

Accounting Policy
Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

	2017	2016
	$'000	$'000
1.2E: Other Gains		
Resources received free of charge	**396**	390
Reversal of provisions	**61**	116
Other	**-**	2
Total other gains	**457**	508

Accounting Policy
Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

1.2F: Revenue from Government		
Appropriations		
Departmental appropriations	**108,851**	99,915
Total revenue from Government	**108,851**	99,915

Accounting Policy
Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

2. Income and Expenses Administered on Behalf of the Government

This section analyses the activities that the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

	2017	2016
	$'000	$'000
2.1: Administered - Expenses		
2.1A: Suppliers		
Goods and services supplied or rendered		
Consultants and contractors	**328,531**	322,985
Royalty payments	**22,397**	21,867
Property	**4,373**	3,095
Other goods and services	**422**	781
Total goods and services supplied or rendered	**355,723**	348,728
Goods supplied	**11**	65
Services rendered	**355,712**	348,663
Total goods and services supplied or rendered	**355,723**	348,728
2.1B: Grants		
Public sector		
Australian Government entities	**90,022**	35,396
State and Territory Governments	**7,327**	1,118
Local Governments	**2,166**	1,740
Private sector		
Not-for-profit organisations	**94,134**	79,801
Commercial entities	**100,431**	50,678
Total grants	**294,080**	168,733

Accounting Policy
The entity administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. When the Government enters into an agreement to make these grants and subsidies but services have not been performed or criteria satisfied, this is considered a commitment.

2.1C: Finance Costs		
Concessional loan discount	**-**	1,285
Total finance costs	**-**	1,285

	2017 $'000	2016 $'000
2.1D: Payments to Corporate Commonwealth Entities		
Australian Broadcasting Corporation	**1,036,090**	1,064,413
Special Broadcasting Service Corporation	**281,598**	287,370
Australia Council	**188,424**	49,526
Australian Film, Television and Radio School	**22,985**	13,673
Australian National Maritime Museum	**21,075**	6,997
National Film and Sound Archive of Australia	**24,416**	13,508
National Museum of Australia	**39,375**	17,679
National Library of Australia	**50,078**	27,815
National Portrait Gallery of Australia	**11,037**	5,332
Screen Australia	**13,983**	5,007
National Gallery of Australia	**31,343**	-
Old Parliament House	**15,350**	-
Total payments to corporate Commonwealth entities	**1,735,754**	1,491,320

Accounting Policy
Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, or equity injections or loans of the relevant portfolio department. The appropriation to the department is disclosed under the Funding section - Appropriations.

2.1E: Other Expenses		
International membership fees	**6,918**	6,667
Prizes and awards	**585**	590
Other expenses	**-**	7
Total other expenses	**7,503**	7,264

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

	2017 $'000	2016 $'000
2.2: Administered - Income		
Revenue		
Non-Taxation Revenue		
2.2A: Sales of Goods and Rendering of Services		
Rendering of services	**4,294**	2,974
Total sale of goods and rendering of services	**4,294**	2,974

Accounting Policy
All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

2.2B: Interest		
Loans	**2,560**	2,519
Total interest	**2,560**	2,519
2.2C: Dividends		
Australian Postal Corporation	**50,100**	-
Total dividends	**50,100**	-
2.2D: Rental Income		
Indefeasible Rights of Use	**4,539**	1,529
Total rental income	**4,539**	1,529

Accounting Policy
Rental Income is recognised over the term of the Indefeasible Rights of Use granted by the Commonwealth to external parties for use of the Administered Property, Plant and Equipment.

2.2E: Other Revenue		
Grant refunds	**397**	393
Refunds from Prior Year Expense	**4,788**	922
Contributions	**986**	1,595
Other revenue	**2**	3
Total other revenue	**6,173**	2,913
Gains		
2.2F: Reversal of write-downs and Impairment		
Reversal of impairment losses	**-**	37
Total reversals of previous asset write-downs and impairments	**-**	37

3. Departmental Financial Position

This section analyses the Department of Communications and the Arts assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

	2017 $'000	2016 $'000
3.1: Financial Assets		
3.1A: Cash and Cash Equivalents		
Cash in special accounts	**171**	900
Cash on hand or on deposit	**667**	785
Cash held in the OPA (special accounts)[1]	**2,560**	374
Total cash and cash equivalents	**3,398**	2,059

Accounting Policy
Cash is recognised at its nominal amount. Cash and cash equivalents includes:
a) cash on hand;
b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and
c) cash in special accounts.

3.1B: Trade and Other Receivables		
Goods and services receivables		
Goods and services	**1,152**	1,270
Total goods and services receivables	**1,152**	1,270
Appropriations receivables		
For existing programs	**21,374**	23,230
Total appropriations receivable	**21,374**	23,230
Other receivables		
GST receivable from the Australian Taxation Office	**745**	711
Other	**10**	162
Total other receivables	**755**	873
Total trade and other receivables (gross)	**23,281**	25,373
Less impairment allowance		
Other receivables	**(9)**	(9)
Total impairment allowance account	**(9)**	(9)
Total trade and other receivables (net)	**23,272**	25,364

All receivables are expected to be recovered in no more than 12 months.

Credit terms for goods and services were within 30 days (2016: 30 days).

[1] Under the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 Division 6 (of part 6) - Special Accounts Section 48 (7) changes have been made that result in the requirement to disoclose special accounts held in the OPA as cash equivalents in the Department's financial statements.

Accounting Policy
Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

Movements in relation to 2017	**Other receivables $'000**	**Total $'000**
As at 1 July 2016	**9**	**9**
Amounts written off	**-**	**-**
Amount transferred from restructuring	**-**	**-**
Increase/(decrease) recognised in net cost of services	**-**	**-**
Total as at 30 June 2017	**9**	**9**
Movements in relation to 2016		
As at 1 July 2015	-	-
Amount transferred from restructuring	9	9
Closing balance	9	9

Accounting Policy
Financial assets are assessed for impairment at the end of each reporting period.

3.2: Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant, Equipment and Intangibles for 2017

	Buildings $'000	Heritage and cultural $'000	Property, plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2016						
Gross book value	**6,496**	**36,128**	**4,548**	**17,240**	**898**	**65,310**
Accumulated depreciation, amortisation and impairment	**(1,299)**	**(95)**	**(1,376)**	**(8,193)**	**(768)**	**(11,731)**
Total as at 1 July 2016	**5,197**	**36,033**	**3,172**	**9,047**	**130**	**53,579**
Additions						
By purchase	**771**	**529**	**1,973**	**-**	**218**	**3,491**
Internally developed	**-**	**-**	**-**	**1,133**	**-**	**1,133**
Impairments recognised in net cost of services	**-**	**-**	**-**	**(1,406)**	**-**	**(1,406)**
Reclassifications	**-**	**-**	**(8)**	**8**	**-**	**-**
Depreciation and amortisation	**(2,373)**	**(142)**	**(742)**	**(1,621)**	**(86)**	**(4,964)**
Disposals						
From disposal of entities or operations (including restructuring)	**(138)**	**-**	**(89)**	**-**	**-**	**(227)**
Total as at 30 June 2017	**3,457**	**36,420**	**4,306**	**7,161**	**262**	**51,606**
Total as at 30 June 2017 represented by						
Gross book value	**7,086**	**36,657**	**5,894**	**13,895**	**1,095**	**64,627**
Accumulated depreciation, amortisation and impairment	**(3,629)**	**(237)**	**(1,588)**	**(6,734)**	**(833)**	**(13,021)**
Total as at 30 June 2017	**3,457**	**36,420**	**4,306**	**7,161**	**262**	**51,606**

All revaluations are conducted in accordance with the revaluation policy stated at Note 7.4. An independent valuer conducted the revaluations as at 30 June 2017.

There were no revaluation increments for 2017 (2016: $38,000) leasehold improvements were credited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position.

As at 30 June 2017 intangible assets were found to be impaired and subsequently written down. The net book value of these intangibles assets was $1,406,105.

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Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Capital Commitments	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
Buildings	1,950	-	-
Property, plant and equipment	2,877	-	-
Total capital commitments	**4,827**	**-**	**-**

The above commitment amounts are GST exclusive

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Property, Plant and Equipment
Asset Recognition Threshold
Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a related group that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by the Department where an obligation exists to restore the property to its original condition. These costs are included in the value of the Department's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations
Fair values for each class of asset are determined as shown below:

Asset Class	Fair Value measured at:
Land and buildings	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost
Heritage and cultural assets	Active market

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income, except to the extent that they reverse a previous revaluation increment for that class.
Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.
Assets purchased during the financial year are excluded from asset revaluation as they represent fair value.

Depreciation
Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight-line method of depreciation.
Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
Buildings		
• Leasehold improvements	**Lower of 10 years or lease term**	Lower of 10 years or lease term
Property, Plant and Equipment		
• Artworks	**Up to 480 years**	Up to 480 years
• Computer equipment	**3 to 5 years**	3 to 5 years
• Plant, office equipment, furniture and fittings	**5 to 10 years**	5 to 10 years

Heritage and Cultural
Heritage and cultural items include artworks held by Artbank that are of national, historical or cultural significance. Artbank maintains separate curatorial and preservation policies for heritage and cultural assets, (http://www.artbank.gov.au/preservation.html).

Impairment
All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles
The Department's intangibles comprise software externally purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.
The useful lives of the Department's software are:

	2017	2016
• Externally purchased software	**3 to 5 years**	3 to 5 years
• Internally developed software	**3 to 5 years**	3 to 5 years

All software assets were assessed for indications of impairment as at 30 June 2017.

	2017	2016
	$'000	$'000
3.2B: Other Non-Financial Assets		
Prepayments	**1,576**	1,024
Total other non-financial assets	**1,576**	1,024

	2017	2016
	$'000	$'000
3.3: Payables		
3.3A: Suppliers		
Trade creditors and accruals	**2,801**	4,255
Operating lease rentals	**318**	1,735
Total suppliers	**3,119**	5,990

The majority of suppliers engaged had 30 day payment terms.

3.3B: Grants		
Private sector:		
Non-profit organisations	**77**	-
Total grants	**77**	-

Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

All grants payable are expected to be settled in no more than 12 months.

3.3C: Other Payables		
Salaries and Wages	**441**	221
Superannuation	**77**	39
Employee transfers	**715**	1,142
Lease incentive	**127**	840
Prepayments received/unearned income	**1,965**	2,281
Other	**126**	97
Total other payables	**3,451**	4,620

3.4: Other Provisions

	Provision for make-good[1] $'000	Other provisions[2] $'000	Total $'000
As at 1 July 2016	**2,557**	**2,286**	**4,843**
Additional provisions made	**-**	**-**	**-**
Amounts used	**(100)**	**(2,286)**	**(2,386)**
Amounts reversed	**(61)**	**-**	**(61)**
Acquisitions of entities or operations (including restructure)	**-**	**-**	**-**
Unwinding of discount or change in discount rate	**41**	**-**	**41**
Total as at 30 June 2017	**2,437**	**-**	**2,437**

[1] The Department currently has three (2016: four) agreements for the leasing of premises that have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

[2] Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program in 2008-09, the Department made provision towards costs incurred by OPEL in producing its implementation plan. This provision was realised in December 2016.

4. Assets and Liabilities Administered on Behalf of the Government

This section analyses assets used to conduct operations and the operating liabilities incurred. As a result the Department of Communications and the Arts does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

	2017 $'000	2016 $'000
4.1: Administered - Financial Assets		
4.1A: Cash and Cash Equivalents		
Cash held in the OPA (special accounts)	**26,711**	-
Total cash and cash equivalents	**26,711**	-
4.1B: Trade and Other Receivables		
Advances and loans		
Loans to corporate Commonwealth entities[1]	**68,180**	87,201
Total advances and loans	**68,180**	87,201
Other receivables		
GST receivable from the Australian Taxation Office	**37,227**	32,933
Grants receivable	**256**	-
Other	**122**	147
Total other receivables	**37,605**	33,080
Total trade and other receivables (gross)	**105,785**	120,281
Less impairment allowance		
Other receivables	**(7)**	(7)
Total impairment allowance	**(7)**	(7)
Total trade and other receivables (net)	**105,778**	120,274

[1] Loans to corporate Commonwealth entities were made under financial assistance legislation for periods up to 12 years. No security is required. Interest rates are fixed. Principal and interest are repaid annually in arrears. Effective interest rates average 1.43% (2016: 2.10%).

Reconciliation of the Impairment Allowance

Movements in relation to 2017	**Other receivables $'000**	**Total $'000**
As at 1 July 2016	**(7)**	**(7)**
Amounts written off	**-**	**-**
Amounts recovered and reversed	**-**	**-**
Decrease recognised in net cost of services	**-**	**-**
Total as at 30 June 2017	**(7)**	**(7)**
Movements in relation to 2016		
As at 1 July 2015	-	-
Amounts written off	29	29
Amount transferred from restructuring	(73)	(73)
Amounts recovered and reversed	37	37
Total as at 30 June 2016	(7)	(7)

Accounting Policy
Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

	2017 $'000	2016 $'000
4.1C: Other Investments		
Corporate Commonwealth entities:		
Australian Broadcasting Corporation[1]	**1,104,569**	1,053,200
Australian Postal Corporation[2]	**2,614,000**	2,480,000
Special Broadcasting Service Corporation[1]	**207,469**	199,375
Australia Council[1]	**18,410**	23,317
Australian Film, Television and Radio School[1]	**11,096**	10,895
Australian National Maritime Museum[1]	**250,355**	255,293
National Film and Sound Archive of Australia[1]	**296,914**	297,086
National Gallery of Australia[1]	**6,299,243**	6,254,000
National Library of Australia[1]	**1,686,881**	1,680,711
National Museum of Australia[1]	**473,470**	470,605
National Portrait Gallery of Australia[1]	**143,353**	128,113
Screen Australia[1]	**17,716**	17,679
Old Parliament House[1]	**91,272**	-
	13,214,748	12,870,274
Commonwealth companies:		
NBN Co Limited[3,4]	**16,024,885**	13,068,900
Bundanon Trust[1]	**51,059**	51,159
Creative Partnerships Australia[1]	**2,519**	1,638
	16,078,463	13,121,697
Total other investments	**29,293,211**	25,991,971

For full details of the corporate Commonwealth entities and the Commonwealth companies please refer to each entity's individual financial statements.

[1] Administered investment valuations are based on the audited net asset balance.

[2] Administered investment valuation in the Australian Postal Corporation is based on the discounted cash flow (DCF) methodology. An independent review of the DCF methodology was undertaken in June 2016 and June 2017.

[3] Administered investment valuation in the NBN Co Limited is based on its net assets balance with the property, plant and equipment adjusted for fair value and the discounting of leave and superannuation liabilities adjusted by applying the Government bond rate. These adjustments were required to reflect the NBN Co Limited at fair value in the Department's financial statements. The impact of these adjustments was an increase of $1.067 billion at 30 June 2017 to the $14.9 billion reported in NBN Co Limited's financial statements (2016: $1.046 billion). An independent review was undertaken to ascertain the fair value of property, plant and equipment in June 2017.

[4] The Government has provided NBN Co Limited (NBN Co) with a loan on commercial terms of up to $19.5 billion. The loan will commence in 2017-18 and the full amount of the loan is to be repaid by 30 June 2021.

Accounting Policy
Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Australian Government level.

In accordance with AASB 13 Fair Value Measurement, the following techniques are used to value Administered Investments:
(a) Discounted Cash Flows – this method needs to be considered when an entity invests in another entity that generates significant non-government cash inflows and those cash flows can be reliably predicted; and
(b) Net Assets – this method needs to be considered when an entity invests in another entity that does not generate significant non-government cash inflows or those cash flows cannot be reliably predicted.

A review of all administered investments is performed on an annual basis to ensure the appropriate valuation method is used.

Administered investments, other than those held for sale, are classified as 'available for sale' and are measured at their fair value as at 30 June 2017. Apart from the Australian Postal Corporation, fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at end of reporting period.

For 2016-17, fair value estimates for the Australian Postal Corporation are based on a discounted cash flow valuation calculated using cash flow forecasts extracted from the Australia Post Corporate Plan 2017-18 to 2020-21. The forecasts use management estimates to determine volume and price growth rates, and the weighted average cost of capital. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

For 2016-17, fair value estimates for NBN Co Limited are based on a net assets valuation method as the entity did not generate significant non-government cash inflows.

	2017	2016
	$'000	$'000
4.1D: Other Financial Assets		
Assets forfeited under the *Protection of Movable Cultural Heritage Act* 1996[1]	**20**	19
Total other financial assets	**20**	19

[1] Items forfeited to the Commonwealth under subsection 14(1) of the *Protection of Movable Cultural Heritage Act 1996* .

4.2: Administered - Non-Financial Assets

4.2A:Reconciliation of the Opening and Closing Balances of Buildings, Property, Plant and Equipment for 2017

	Buildings $'000	Property, plant and equipment $'000	Total $'000
As at 1 July 2016			
Gross book value	**59,344**	**167,663**	**227,007**
Accumulated depreciation, amortisation and impairment	**(1,137)**	**(2,008)**	**(3,145)**
Total as at 1 July 2016	**58,207**	**165,655**	**223,862**
Additions			
Purchase	**1,649**	**-**	**1,649**
Revaluations recognised in other comprehensive income	**-**	**(1,411)**	**(1,411)**
Depreciation and amortisation	**(1,746)**	**(8,109)**	**(9,855)**
Total as at 30 June 2017	**58,110**	**156,135**	**214,245**
Total as at 30 June 2017 represented by			
Gross book value	**60,993**	**158,162**	**219,155**
Accumulated depreciation, amortisation and impairment	**(2,883)**	**(2,027)**	**(4,910)**
Total as at 30 June 2017	**58,110**	**156,135**	**214,245**

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluation of non-financial assets

Revaluation decrements of $1,411,000 for property, plant and equipment (2016: $1,544,000) were debited to the asset revaluation reserve and included in the Statement of Other Comprehensive Income; no increments/decrements were expensed (2016: nil).

All revaluations were conducted in accordance with the revaluation policy stated at Note 7.5A. An independent valuer conducted the revaluations as at 31 March 2017 for Property, plant and equipment and 30 June 2017 for Buildings.

Contractual commitments for the acquisition of buildings and property, plant, equipment
As at 30 June 2017 there were no contractual commitments in place.

Department of Communications and the Arts
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	2017 $'000	2016 $'000
4.2B: Other Non-Financial Assets		
Lease prepayments[1]	-	1,363
Other prepayments	2,875	3,072
Total other non-financial assets	2,875	4,435

[1] Lease prepayments related to the operation and maintenance obligation relating to infrastructure assets. The contractor was required to operate and maintain Commonwealth assets for a period of five years at no cost to the Commonwealth. The lease incentive was recognised as a lease prepayment and lease income received in advance.

	2017 $'000	2016 $'000
4.3: Administered - Payables		
4.3A: Suppliers		
Trade creditors and accruals	**335,349**	330,493
Total suppliers	**335,349**	330,493

Settlement is usually made within 30 days.

4.3B: Grants		
Australian Government entities	**982**	23
State and Territory Governments	**36**	-
Local Governments	**159**	-
Non-profit organisations	**1,546**	643
Commercial entities	**36,729**	14,885
Total grants	**39,452**	15,551

All grants payables are expected to be settled in no more than 12 months. Settlement is usually made according to the terms and conditions of each grant within 30 days of performance or eligibility.

4.3C: Other Payables		
GST Payable to the Official Public Account	**6,455**	4,701
Lease income received in advance[1]	**14,405**	15,934
Classification income received in advance	**496**	533
Forfeited assets[2]	**20**	19
Total other payables	**21,376**	21,187

[1] Lease income received in advance relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets. As part of the arrangement for the construction of assets and the issue of IRUs, the Commonwealth has provided a lease incentive to the contractor in the form of a reduction of lease payments that would otherwise be payable to the Commonwealth for the IRUs. The lease incentive was recognised as a lease prepayment and lease income received in advance.
[2] Items forfeited to the Commonwealth under subsection 14(1) of the *Protection of Movable Cultural Heritage Act 1996* .

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5. Funding

This section identifies the Department of Communications and the Arts funding structure.

5.1: Appropriations

5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

	Annual appropriation[1]	Adjustments to appropriation[2]	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance[3]
	$'000	$'000	$'000	$'000	$'000
Departmental					
Ordinary annual services	108,851	6,261	115,112	116,356	(1,244)
Capital budget[4]	3,579		3,579	4,341	(762)
Other services					
Equity injections	150	-	150	-	150
Total departmental	112,580	6,261	118,841	120,697	(1,856)
Administered					
Ordinary annual services					
Administered items	456,723		456,723	393,449	63,274
Capital budget[4]	1,649		1,649	1,649	-
Payments to corporate Commonwealth entities	1,735,754		1,735,754	1,735,754	-
Other services					
Administered assets and liabilities	8,325,647		8,325,647	7,190,000	1,135,647
Administered assets and liabilities payments to corporate Commonwealth entities	90		90	90	-
Payments to corporate Commonwealth entities	34,656		34,656	34,656	-
Total administered	10,554,519	-	10,554,519	9,355,598	1,198,921

[1] In 2016-17, the Administered amounts of $35,911,000 and $500,000 (annual appropriations) have been permanently withheld under section 51 determination of the PGPA Act for approved movement of funds.

[2] PGPA Act section 74 Receipts

[3] The Departmental variance relates to draw down of prior year funds to cover prior year creditors and the Administered ordinary annual services variance relates to funding required for current year creditors and the assets and liabilities variance relates to funding for NBN Co that was not required in 2016-17.

[4] Departmental and Administered Capital Budgets are appropriated through Appropriations Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriations Acts.

Annual Appropriation for 2016

	Annual appropriation[1]	Adjustments to appropriation[2]	Total appropriation	Appropriation applied in 2016 (current and prior years)	Variance[3]
	$'000	$'000	$'000	$'000	$'000
Departmental					
Ordinary annual services	86,966	18,425	105,391	102,585	2,806
Capital budget[4]	3,237	989	4,226	3,236	990
Other services					
Equity injections	-	-	-	6,000	(6,000)
Total departmental	90,203	19,414	109,617	111,821	(2,204)
Administered					
Ordinary annual services					
Administered items	200,855	120,561	321,416	286,932	34,484
Payments to corporate Commonwealth entities	1,351,783	143,893	1,495,676	1,491,320	4,356
Other services					
Administered assets and liabilities	7,365,908	-	7,365,908	7,090,000	275,908
Payments to corporate Commonwealth entities	20,000	6,046	26,046	26,046	-
Total administered	8,938,546	270,500	9,209,046	8,894,298	314,748

[1] In 2015-16, the Administered amounts of $17,000,000 (annual appropriation) and $5,612,000 (from section 75 transfers) were permanently withheld under a section 51 determination of the PGPA Act (in accordance with Financial Reporting Rule Part 6 Div. 3) for Whole of Government savings as part of MYEFO.

[2] PGPA Act section 74 Receipts and PGPA Act section 75 transfers.

[3] Departmental Ordinary annual services variance mainly relates to employee entitlements. Departmental Capital Injection was appropriated in 2014-15 however the majority of the appropriation was drawn and applied in the current year.

[4] Departmental Capital Budgets are appropriated through Appropriations Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriations Acts.

5.1B: Unspent Annual Appropriation ('Recoverable GST exclusive')

	2017 $'000	2016 $'000
Departmental		
Cash on hand or on deposit	**667**	785
Appropriation Act (No.1) 2016-2017	**10,980**	-
Appropriation Act (No.1) 2016-2017 (Capital Budget - DCB) - Non Operating	**1,679**	-
Supply Act (No.1) 2016-2017 (Capital Budget - DCB) - Non Operating	**1,491**	-
Appropriation Act (No.2) 2016-2017	**150**	-
Appropriation Act (No.3) 2016-2017	**4,993**	-
Appropriation Act (No.1) 2015-2016	**200**	15,667
Appropriation Act (No.1) 2015-2016 (Capital Budget - DCB) - Non Operating	**-**	3,932
Appropriation Act (No.3) 2015-2016	**1,202**	1,202
Appropriation Act (No.1) 2014-2015	**-**	1,750
Appropriation Act (No.1) 2012-2013[1]	**211**	211
Appropriation Act (No.3) 2012-2013[1]	**468**	468
Total departmental	**22,041**	24,015
Administered		
Appropriation Act (No.1) 2016-2017[2]	**39,368**	-
Appropriation Act (No.3) 2016-2017	**928**	-
Appropriation Act (No.2) 2016-2017	**2,034,555**	-
Appropriation Act (No.1) 2015-2016[2]	**867**	14,784
Appropriation Act (No.3) 2015-2016	**964**	964
Appropriation Act (No.2) 2015-2016	**-**	898,908
Appropriation Act (No.1) 2014-2015[2]	**5,771**	5,771
Appropriation Act (No.1) 2013-2014[2]	**642**	642
Appropriation Act (No.1) 2012-2013[2]	**7,981**	7,981
Total Administered	**2,091,076**	929,050

[1] Departmental appropriations of $210,931 (2012-13) and $468,000 (2012-13) have been temporarily quarantined for an approved movement of funds request.

[2] Administered appropriations have been permanently withheld under section 51 determinations of the PGPA Act amounting to $36,411,000 (2016-17) and $242,000 (2015-16) for an approved movement of funds and $242,000 (2015-16) for unspent appropriation no longer required.
Administered appropriations have been temporarily quarantined amounting to $2,615,000 (2014-15) , $57,922.94 (2013-14) and $17,277.68 (2012-13).

Comparatives have been adjusted to reflect the section 51 determinations of the PGPA Act that were permanetly withheld in 2015-16.

5.1C: Special Appropriations ('Recoverable GST exclusive')

	Appropriation applied	
	2017	2016
Authority	**$'000**	$'000
Telstra Corporation Act 1991, section 8BA(3). Nature: Administered (Unlimited Amount)	**-**	-
Public Governance, Performance and Accountability Act 2013 , section 77. Nature: Administered (Refund Provisions)	**51**	96
Classification (Publications, Films and Computer Games) Act 1995. Nature: Administered	**-**	-
Total special appropriation applied	**51**	96

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5.2: Special Accounts

	Art Rental Special Account 2016[1]		Public Interest Telecommunications Services Special Account[2]		Cultural Special Account[3]		Indigenous Repatriation Special Account 2016[4]		National Cultural Heritage Special Account[5]		Australia New Zealand Land Information Special Account[6]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**900**	-	**35,952**	-	**374**	-	**-**	-	**448**	-	**-**	101
Increases												
Departmental												
Balance transferred	**-**	-	**-**	-	**-**	-	**1,741**	-	**-**	-	**-**	-
Appropriation credited to special account	**400**	-	**4,002**	4,007	**-**	-	**-**	-	**-**	-	**-**	-
Transferred through restructuring	**-**	950	**-**	-	**-**	600	**-**	2,651	-	-	**-**	-
Receipts	**3,862**	2,209	**-**	-	**355**	322	**649**	-	**-**	-	**-**	-
Total departmental	**4,262**	3,159	**4,002**	4,007	**355**	922	**2,390**	2,651	**-**	-	**-**	-
Administered												
Transferred through restructuring	**-**	-	**-**	38,204	**-**	-	**-**	-	**-**	467	**-**	-
Contribution received	**-**	-	**933**	1,595	**-**	-	**-**	-	**52**	-	**-**	-
Telecommunication Industry Levy receipts	**-**	-	**217,744**	215,488	**-**	-	**-**	-	**-**	-	**-**	-
Appropriation credited to special account	**-**	-	**95,998**	95,993	**-**	-	**-**	-	**-**	-	**-**	-
Total administered	**-**	-	**314,675**	351,280	**-**	-	**-**	-	**52**	467	**-**	-
Total increases	**4,262**	3,159	**318,677**	355,287	**355**	922	**2,390**	2,651	**52**	467	**-**	-
Available for payments	**5,162**	3,159	**354,629**	355,287	**729**	922	**2,390**	2,651	**500**	467	**-**	101
Decreases												
Departmental												
Payments made	**(4,176)**	(2,259)	**(3,069)**	(2,412)	**(526)**	(548)	**(848)**	(360)	**-**	-	**-**	-
Contribution made		-	**(933)**	(1,595)	**-**	-	**-**	-	**-**	-	**-**	-
Balance transferred	**-**	-	**-**	-	**-**	-	**-**	(2,291)	**-**	-	**-**	-
Total departmental	**(4,176)**	(2,259)	**(4,002)**	(4,007)	**(526)**	(548)	**(848)**	(2,651)	**-**	-	**-**	-
Administered												
Transferred through restructuring	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(93)
Payments made	**-**	-	**(323,916)**	(315,328)	**-**	-	**-**	-	**(500)**	(19)	**-**	(8)
Total administered	**-**	-	**(323,916)**	(315,328)	**-**	-	**-**	-	**(500)**	(19)	**-**	(101)
Total decreases	**(4,176)**	(2,259)	**(327,918)**	(319,335)	**(526)**	(548)	**(848)**	(2,651)	**(500)**	(19)	**-**	(101)
Total balance carried to the next period	**986**	900	**26,711**	35,952	**203**	374	**1,542**	-	**-**	448	**-**	-
Balance represented by:												
Cash held in entity bank accounts	**171**	900	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Cash held in the Official Public Account	**815**	-	**26,711**	35,952	**203**	374	**1,542**	-	**-**	448	**-**	-
Total balance carried to the next period	**986**	900	**26,711**	35,952	**203**	374	**1,542**	-	**-**	448	**-**	-

[1]Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 78.
Establishing Instrument: PGPA Act Determination (Art Rental Special Account 2016) commenced 1 October 2016 (Previously: *Financial Management and Accountability Determination 2006/18 and was repealed on 1 October 2016).*
Purpose: Amounts may be debited from the special account to:
a. acquire, deaccession, lease, promote, develop, exhibit, lend, conserve and undertake any other activities in relation to managing an art rental collection for the Commonwealth;
b. activities that are incidental to the purposes mentioned in paragraph (a);
c. to reduce the balance of the special acount without making a real or notional payment; and
d. to repay, as required by law, amounts that have been credited to the special account.

[2]Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.
Establishing Instrument: *Telecommunications (Consumer Protection and Service Standards) Act 1999,* Division 5, section 37. Purpose: Support the delivery of Universal Service Obligation, National Relay Service and other public interest telecommunications services for all Australians.

The Australian Communications and Media Authority collects a levy imposed on carriers under the *Telecommunications (Industry Levy) Act 2012* and the *Telecommunications (Consumer Protection and Service Standards) Act 1999*. These levy receipts are credited to the special account, and along with Government funding, are used to pay contractors and grant recipients and to contribute to administrative costs.

[3]Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 78.
Establishing Instrument: *Determination 2011/18*. Purpose: Supporting the performance or administration of cultural activities.

[4]Appropriation: *Public Governance, Performance and Accountability Act 2013* section 78.
Establishing Instrument: PGPA Act Determination (Indigenous Repatriation Special Account 2016) commenced 1 October 2016 (Previously: Financial Management and Accountability Determination *2005/45 , repealed on 1 April 2016)*. Purpose: Developing and conducting projects, programs and strategies associated with the repatriation of Indigenous ancestral remains and secret sacred objects. Upon repeal on 1 April 2016 the balance of $2,291 million was transferred to the Department's bank account. Since then related expenses amounted to $0.550 million reducing the balance to $1.741 million. This balance was transferred back to the special account on 1 October 2016.

[5]Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.
Establishing Instrument: *Protection of Moveable Cultural Heritage Act 1986,* section 25. Purpose: Amounts standing to the credit of the National Cultural Heritage Account may be expended for the purpose of facilitating the acquisition of the Australian protected objects for display or self keeping.
This account is non-interest bearing and the balance is held in the Official Public Account.

[6]Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 78.
Establishing Instrument: Determination 2001/11. Purpose: To make payments in relation to developing best practice policies and guidelines in spatial data management in Australia and New Zealand and assisting the growth of a spatial information industry in Australia and New Zealand. As a result of the AAO dated 21 September 2015 this account was transferred to the Department of the Prime Minister and Cabinet.

The Department has a BAF Communications Portfolio Special Account as a part of the Nations Building Funds Act 2008. The account was established under section 80 of the *Public Governance, Performance and Accountability Act 2013*. Purpose: To make payments in relation to the creation or development of communications infrastructure; and eligible national broadband network matters. For the year ended 30 June 2017, the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

	2017	2016
	$'000	$'000
5.3: Regulatory Charging Summary		
Amounts applied		
Departmental		
Annual appropriations	**6,691**	4,331
Special appropriation (including special accounts)	**-**	-
Own source revenue	**70**	68
Administered		
Annual appropriations	**-**	-
Special appropriation (including special accounts)	**-**	-
Total amounts applied	**6,761**	4,399
Expenses		
Departmental	**6,761**	4,399
Administered	**-**	-
Total expenses	**6,761**	4,399
External revenue		
Departmental	**70**	68
Administered	**4,294**	2,974
Total external revenue	**4,364**	3,042
Amounts written off		
Departmental	**-**	-
Administered	**-**	-
Total amounts written off	**-**	-

Regulatory charging activities:

Classification Fees: Before every film, computer game and certain publications can be legally made available to the Australian public by means of sale, exhibition or commercial distribution they must be classified (with limited exceptions). A valid classification application is to be accompanied with the prescribed fee before any classification decision can be made. The *Classification (Publications, Films and Computer Games) Act 1995* and the Classification (Publications, Films and Computer Games) Regulations 2005 are the enabling legislation.

Cost Recovery Implementation Statement for the above activity is available at http://www.classification.gov.au/About/Pages/Legislation.aspx .

6. People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

	2017	2016
	$'000	$'000
6.1: Employee Provisions		
Leave	**23,494**	22,724
Separations and redundancies	**162**	148
Total employee provisions	**23,656**	22,872

Accounting policy
Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.
Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave
The liability for employee benefits includes provision for annual leave and long service leave.
The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.
The liability for long service leave has been determined by using the Department of Finance's Short Hand Method as at 30 June 2017, as outlined in the Financial Reporting Rule. The estimate of the present value of the liability takes into account expected attrition rates and pay increases through promotion and inflation.

Separation and Redundancy
Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation
The entity's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.
The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.
The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.
The entity makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.
The liability for superannuation recognised as at 30 June represents outstanding contributions.

	2017	2016
	$'000	$'000

6.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the department, directly or indirectly. The department has determined the key management personnel to be the members of the Executive Leadership Team, comprising the Secretary, Deputy Secretaries, First Assistant Secretaries and the Chief Risk Officer. Key management personnel remuneration is:

Short-term employee benefits	**3,041**	2,338
Post-employment benefits	**510**	378
Other long-term employee benefits	**305**	287
Termination benefits	**21**	-
Total key management personnel remuneration expenses	**3,877**	3,003

The total number of key management personnel included in the above table is 14 individuals (2016: 14 individuals).

The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Ministers. The Portfolio Ministers remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Department.

6.3: Related Party Disclosures

Related party relationships:
The Department is an Australian Government controlled entity. Related parties to the Department are Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:
Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Transactions with related parties of the Department have occurred within normal customer or supplier relationships on terms and conditions no more favourable than those which it is reasonable to expect the Department would have entered into on an arm's-length basis.

These transactions have not been separately disclosed in this note.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the Department, it has been determined that there are no related party transactions to be separately disclosed.

7. Managing uncertainties

This section analyses how the Department of Communications and the Arts manages financial risks within its operating environment.

7.1: Contingent Assets and Liabilities

7.1A: Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

There are no significant quantifiable contingencies as at 30 June 2017

Unquantifiable Contingencies

There are no significant unquantifiable contingencies as at 30 June 2017

Significant Remote Contingencies

Operating Leases and Car Parking Licences
The Commonwealth indemnifies third parties against loss in relation to operating leases for accommodation, storage and some car parking. The Commonwealth also indemnifies some third parties against loss in relation to car parking facilities acquired under car parking licence agreements. As at 30 June 2017, no claims have been made.

Westpac Banking Corporation
The Commonwealth indemnifies Westpac Banking Corporation against loss reasonably incurred in relation to Departmental banking functions. In June 2013, the Department entered into a new banking contract with Westpac that provided for an indemnity capped at $50 million per occurrence. The previous contract provided for an indemnity capped at $25 million per occurrence. As at 30 June 2017, no claims have been made.

Accounting Policy
Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

7.1B: Administered Contingent Assets and Liabilities

Quantifiable Administered Contingencies

As at 30 June 2017, the Australian Government did not have any quantifiable contingencies (2016: nil).

Unquantifiable Administered Contingencies

NBN Co Limited (NBN Co) Board Members Insolvency Indemnity
The Australian Government has provided each Director of NBN Co with an indemnity against liability as a result of the Government failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be no greater than those covered by the NBN Co Equity Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity.

Significant Remote Administered Contingencies

NBN Co Interim Board Members Indemnity
The Australian Government indemnified the Interim Directors of NBN Co against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, which may have arisen as a result of any such person acting in their capacity as a director of the company. The removal of Interim Directors occurred on 6 August 2009. As at 30 June 2017, no claims have been made.

Telstra Financial Guarantee
The Australian Government has provided a guarantee to Telstra Corporation Limited (Telstra) in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 30 June 2017, NBN Co had generated liabilities covered by the guarantee estimated at $6.5 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:
• the company is capitalised by the Commonwealth to the agreed amount; or
• the Communications Minister declares, under the *National Broadband Network Companies Act 2011* , that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Optus Financial Guarantee
The Australian Government has provided a guarantee in respect of the NBN Co Limited's (NBN Co) financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement. An amended version of that Agreement came into effect on 19 September 2015. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Agreement. As at 30 June 2017, NBN Co had generated liabilities covered by the Optus Agreement, which are estimated at an amount lower than $100 million. There is a low risk that a claim could be made under the Guarantee. The Guarantee will terminate in 2021.

Equity Funding Agreement
The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited (NBN Co). The Agreement formalises the Australian Government's intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. As at 30 June 2017, NBN Co's termination liabilities were estimated at $15.7 billion.

	2017	2016
	$'000	$'000
7.2: Financial Instruments		
7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	**3,398**	2,059
Good and Services Receivable	**1,152**	1,270
Other Receivables	**10**	162
Total loans and receivables	**4,560**	3,491
Total financial assets	**4,560**	3,491
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**2,801**	4,255
Grants Payable	**77**	-
Other Payables	**841**	1,239
Total financial liabilities measured at amortised cost	**3,719**	5,494
Total financial liabilities	**3,719**	5,494

The Department had no gains or losses on financial assets or financial liabilities in either the current or prior year.

Accounting Policy

Financial assets

The entity classifies its financial assets in the following categories:
a) financial assets at fair value through profit or loss;
b) available-for-sale financial assets; and
c) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilitites are recongnised and derecongised upon trade date.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2017 $'000	2016 $'000
7.3: Administered - Financial Instruments		
7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	**26,711**	-
Loans to corporate Commonwealth entities	**68,180**	87,201
Grants	**256**	-
Other	**122**	147
Total loans and receivables	**95,269**	87,348
Available for sale financial assets		
Other Investments	**29,293,211**	25,991,971
Total available for sale financial assets	**29,293,211**	25,991,971
Total financial assets	**29,388,480**	26,079,319
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**335,349**	330,493
Grants	**39,452**	15,551
Total financial liabilities measured at amortised cost	**374,801**	346,044
Total financial liabilities	**374,801**	346,044
7.3B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	**2,560**	2,519
Net gains on loans and receivables	**2,560**	2,519
Available for sale financial assets		
Australia Post dividend	**50,100**	-
Losses recognised in equity	**(3,993,587)**	(1,950,149)
Net losses on available for sale financial assets	**(3,943,487)**	(1,950,149)
Net Losses on financial assets	**(3,940,927)**	(1,947,630)

7.4: Fair Value Measurements

Accounting Policy
The Department engaged the service of the Australian Valuation Solutions (AVS) to conduct a desktop materiality review of all non-financial assets at 30 June 2017 and has relied upon those outcomes to verify the fair value measurements. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to the Department that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account the physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit/asset obsolescence deduction is determined based on the term of the associated lease.

The Department's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017	2016
	$'000	$'000
Non-financial assets[1]		
Heritage and Culural[2]	**36,420**	36,033
Plant and Equipment[2]	**4,306**	2,942
Buildings[2]	**3,457**	5,197
Total Non-financial assets	**44,183**	44,172

[1] The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial asset's is considered their highest and best use.

[2] No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2017 (2016: Nil)

The remaining assets and liabilities reported by the Department are not measured at fair value in the Statement of Financial Position.

7.5: Administered - Fair Value Measurements

Accounting Policy
Fair values for Regional Backbone Blackspots Program (RBBP) network infrastructure assets under property, plant and equipment are determined based on the depreciated replacement cost methodology. The methodology is calculated for each individual part of the asset using a price per unit adjusted for inflation, a quantity of each component and a location factor before being aggregated to form the values for each identified component of the assets. Components include fibre optic cable, Control Environment Vault Shelters and Backbone Point of Interconnect cabinets.

The Department procured the service of the Australian Valuation Solutions (AVS) to undertake a desktop materiality review of all non-financial assets (excluding the RBBP) at 30 June 2017, which includes the Administered National Institute of Dramatic Arts Building. The Department tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant or volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

7.5A: Fair Value Measurements

	Fair value measurements at the end of the reporting period[1]	
	2017 $'000	2016 $'000
Financial assets[2]		
Receivables - loans to corporate Commonwealth entities	**69,865**	90,519
Available for sale financial assets[3]		
Australian Broadcasting Corporation	**1,104,569**	1,053,200
Special Broadcasting Service Corporation	**207,469**	199,375
Australia Council	**18,410**	23,317
Australian Film, Television and Radio School	**11,096**	10,895
Australian National Maritime Museum	**250,355**	255,293
National Film and Sound Archive of Australia	**296,914**	297,086
National Gallery of Australia	**6,299,243**	6,254,000
National Library of Australia	**1,686,881**	1,680,711
National Museum of Australia	**473,470**	470,605
National Portrait Gallery of Australia	**143,353**	128,113
Screen Australia	**17,716**	17,679
Old Parliament House	**91,272**	-
Bundanon Trust	**51,059**	51,159
Creative Partnerships Australia	**2,519**	1,638
NBN Co Limited	**16,024,885**	13,068,900
Investment in Australian Postal Corporation[4]	**2,614,000**	2,480,000
Total financial assets	**29,363,076**	26,082,490
Non-financial assets[2]		
Buildings	**58,110**	58,207
Property, plant and equipment	**156,135**	165,655
Total non-financial assets	**214,245**	223,862
Total assets	**29,577,321**	26,306,352

[1] The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2017 (2016:Nil).

[2] The current use of all financial and non-financial assets is considered their highest and best use.

[3] Administered investments valuations are based on the audited net asset balance with the exception of the Australian Postal Corporation and NBN Co Limited. Australia Post is based on the discounted cash flow methodology. NBN Co Limited is based on the audited net asset balance adjusted for fair value of Property, Plant and Equipment and discounting leave and superannuation liabilities adjusted by applying the Government bond rate.

[4] The Discounted Cash Flow (DCF) method, is appropriate when it results in a measurement that is more representative of fair value. Per AASB13.B10 when using an income approach, fair value reflects current market expectations about the future amounts.

8. Other Information

8.1: Restructuring

8.1A: Departmental Restructuring

	2017	2016			
	Old Parliament House[1]	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency[2]	Classification, Copyright and Arts and Cultural Development, Attorney-General's Department[3]	Digital Productivity, Department of Industry, Innovation and Science[4]	Digital Innovation related to Data Policy, Prime Minister and Cabinet[5]
	$'000	$'000	$'000	$'000	$'000
FUNCTIONS ASSUMED					
Assets recognised					
Cash	-	49	951	-	-
Appropriation receivable	-	-	9,454	-	-
Appropriation receivable - Special Accounts	-	-	3,251	-	-
Receivables	-	75	343	-	-
Land and buildings	-	415	2,435	-	-
Property, plant and equipment	-	94	37,217	-	-
Intangibles	-	-	1,470	-	-
Other non-financial assets	-	31	63	-	-
Total assets recognised	-	664	55,184	-	-
Liabilities recognised					
Supplier payables	-	524	1,933		
Other payables	-	461	2,641	-	-
Other provisions	-	85	91	-	-
Employee provisions	-	534	7,006	-	-
Total liabilities recognised	-	1,604	11,671	-	-
Net assets/(liabilities) assumed[6]	-	(940)	43,513	-	-
Income assumed					
Recognised by the receiving entity	-	4,007	19,428	-	-
Recognised by the losing entity	-	-	10,248	-	-
Total income assumed	-	4,007	29,676	-	-

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	2017	2016			
	Old Parliament House[1]	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency[2]	Classification, Copyright and Arts and Cultural Development, Attorney-General's Department[3]	Digital Productivity, Department of Industry, Innovation and Science[4]	Digital Innovation related to Data Policy, Prime Minister and Cabinet[5]
	$'000	$'000	$'000	$'000	$'000
Expenses assumed					
Recognised by the receiving entity	-	4,007	19,428	-	-
Recognised by the losing entity	-	-	9,467	-	-
Total expenses assumed	-	4,007	28,895	-	-
FUNCTIONS RELINQUISHED					
Assets relinquished					
Appropriation Receivable	-	-	-	540	594
Total assets relinquished	-	-	-	540	594
Liabilities relinquished					
Employee provisions	-	-	-	555	594
Total liabilities relinquished	-	-	-	555	594
Net (assets)/liabilities relinquished[7]	-	-	-	15	-

[1] Old Parliament House was converted from a Non-Corporate Commonwealth Entity to a Corporate Commonwealth Entity by way of the Public Governance, Performance and Accountability (Establishing Old Parliament House) Rule 2016, effective 1 July 2016.

[2] Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements for 2015-16 contained the revenue and expenses for the full financial year.

[3] Classification, Copyright and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

[4] Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

[5] Digital Innovation related to Data Policy was relinquished to Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.

[6] The net assets/(liabilities) assumed from all entities were nil (2016: $42,572,786).

[7] The net (assets)/liabilities relinquished to all entities were nil (2016: $14,696).

In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

8.1B: Administered Restructuring

	2017	2016			
	Old Parliament House[1]	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency[2]	Classification and Arts and Cultural Development, Attorney-General's Department[3]	Digital Productivity, Department of Industry, Innovation and Science[4]	Digital Innovation related to Data Policy, Prime Minister and Cabinet[5]
	$'000	$'000	$'000	$'000	$'000
FUNCTIONS ASSUMED					
Assets recognised					
Special Account - National Cultural	-	-	467	-	-
Special Account - Public Interest Telecommunications Services	-	38,204	-	-	-
Receivables	-	-	55	-	-
Receivables - GST	-	29,416	-	-	-
Investments	**93,468**	-	8,803,068	-	-
Land and Buildings	-	-	59,344	-	-
Other non-financial assets	-	-	8	-	-
Total assets recognised	**93,468**	67,620	8,862,942	-	-
Liabilities recognised					
Payables - suppliers	-	323,547	8	-	-
Payables - grants	-	-	1,728		
Other payables	-	3	571	-	-
Total liabilities recognised	-	323,550	2,307	-	-
Net assets/(liabilities) assumed[6]	**93,468**	(255,930)	8,860,635	-	-
Income assumed					
Recognised by the receiving entity	-	351,280	258,791	-	-
Recognised by the losing entity	-	-	382,700	-	-
Total income assumed	-	351,280	641,491	-	-
Expenses assumed					
Recognised by the receiving entity	-	315,328	255,817	-	-
Recognised by the losing entity	-	-	357,509	-	-
Total expenses assumed	-	315,328	613,326	-	-

Department of Communications and the Arts
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for the year ended 30 June 2017

	2017	2016			
	Old Parliament House[1]	Telecommunications Service Agreements and Grants, Telecommunications Universal Service Management Agency[2]	Classification and Arts and Cultural Development, Attorney-General's Department[3]	Digital Productivity, Department of Industry, Innovation and Science[4]	Digital Innovation related to Data Policy, Prime Minister and Cabinet[5]
	$'000	$'000	$'000	$'000	$'000
FUNCTIONS RELINQUISHED					
Assets relinquished					
Special Account - ANZLI	-	-	-	-	93
Total assets relinquished	-	-	-	-	93
Net (assets)/liabilities relinquished[7]	-	-	-	-	(93)

[1] Old Parliament House was converted from a Non-Corporate Commonwealth Entity to a Corporate Commonwealth Entity by way of the Public Governance, Performance and Accountability (Establishing Old Parliament House) Rule 2016, effective 1 July 2016.

[2] Telecommunications Service Agreements and Grants function was assumed from the Telecommunications Universal Service Management Agency (TUSMA) due to a Cabinet Decision effective 1 July 2015 and as such the Department's statements for 2015-16 contained the revenue and expenses for the full financial year.

[3] Classification, Copyright and Arts and Cultural Development functions were assumed from the Attorney-General's Department following a restructuring of administrative arrangements, effective 21 September 2015, with assets, liabilities and operations transferring with effect from 1 November 2015.

[4] Digital Productivity was relinquished to the Department of Industry, Innovation and Science following a restructuring of administrative arrangements, effective 21 September 2015.

[5] Digital Innovation related to Data Policy was relinquished to Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 21 September 2015.

[6] The net assets/(liabilities) assumed from all entities were $93,468,000 (2016: $8,604,704,828).

[7] The net (assets)/liabilities relinquished to all entities were nil (2016: $93,534).

In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred for no consideration.

8.2: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2016-17 Portfolio Budget Statements to the 2016-17 final financial outcome as presented in accordance with Australian Accounting Standards for the Department. The Budget is not audited and does not reflect additional estimates provided in the 2016-17 Portfolio Additional Estimates Statements. Explanations are provided for significant variances between actual results and the original budget, being the Portfolio Budget Statements. Significant variances are those relevant to the performance of the Department and are typically those greater than $5 million (Departmental), $20 million (Administered) and greater than five percent.

8.2A: Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2017

		Budget estimate	
	Actual	**Original**	Variance
	2017	**2017**	2017
	$'000	**$'000**	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	**70,813**	**69,946**	867
Suppliers[1]	**34,469**	**39,326**	(4,857)
Grants[1]	**3,416**	**-**	3,416
Depreciation and amortisation	**4,964**	**5,511**	(547)
Finance costs	**41**	**62**	(21)
Write-down and impairment of assets	**1,406**	**-**	1,406
Losses from asset sales	**207**	**-**	207
Total expenses	**115,316**	**114,845**	471
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	**4,146**	**3,295**	851
Rental income	**222**	**-**	222
Other revenue	**1,322**	**1,700**	(378)
Total own-source revenue	**5,690**	**4,995**	695
Gains			
Other gains	**457**	**481**	(24)
Total gains	**457**	**481**	(24)
Total own-source income	**6,147**	**5,476**	671
Net cost of services	**(109,169)**	**(109,369)**	200
Revenue from Government[2]	**108,851**	**103,858**	4,993
Surplus (Deficit) before income tax on continuing operations	**(318)**	**(5,511)**	5,193
Surplus (Deficit) after income tax on continuing operations[3]	**(318)**	**(5,511)**	5,193
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**-**	**-**	-
Total other comprehensive income	**-**	**-**	-
Total comprehensive income/(loss)	**(318)**	**(5,511)**	5,193

The above statement should be read in conjunction with note 8.2B

Department of Communications and the Arts
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for the year ended 30 June 2017

Statement of Financial Position
as at 30 June 2017

	Actual	Budget estimate Original	Variance
	2017	**2017**	2017
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**3,398**	**1,513**	1,885
Trade and other receivables	**23,272**	**27,165**	(3,893)
Other financial assets	**-**	**366**	(366)
Total financial assets	**26,670**	**29,044**	(2,374)
Non-financial assets			
Buildings	**3,457**	**1,355**	2,102
Property, plant and equipment	**40,726**	**44,323**	(3,597)
Intangibles	**7,423**	**5,748**	1,675
Other non-financial assets	**1,576**	**1,161**	415
Total non-financial assets	**53,182**	**52,587**	595
Total assets	**79,852**	**81,631**	(1,779)
LIABILITIES			
Payables			
Suppliers[4]	**3,119**	**9,968**	(6,849)
Grants	**77**	**-**	77
Other payables	**3,451**	**3,040**	411
Total payables	**6,647**	**13,008**	(6,361)
Provisions			
Employee provisions	**23,656**	**21,053**	2,603
Other provisions	**2,437**	**4,817**	(2,380)
Total provisions	**26,093**	**25,870**	223
Total liabilities	**32,740**	**38,878**	(6,138)
Net assets	**47,112**	**42,753**	4,359
EQUITY			
Contributed equity[5]	**66,423**	**23,835**	42,588
Reserves	**7,439**	**8,189**	(750)
Retained surplus/(Accumulated deficit) [5]	**(26,750)**	**10,729**	(37,479)
Total equity	**47,112**	**42,753**	4,359

The above statement should be read in conjunction with note 8.2B

Statement of Changes in Equity
for the period ended 30 June 2017

	Retained earnings			Asset revaluation reserve			Contributed equity/capital			Total equity		
		Budget Estimate			Budget Estimate			Budget Estimate			Budget Estimate	
	Actual	**Original**	Variance	**Actual**	**Original**	Variance	**Actual**	**Original**	Variance	**Actual**	**Original**	Variance
	2017	**2017**	2017	**2017**	**2017**	2017	**2017**	**2017**	2017	**2017**	**2017**	2017
	$'000	**$'000**	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	$'000
Opening balance												
Balance carried forward from previous period[6]	**(26,432)**	**16,630**	(43,062)	**7,439**	**8,189**	(750)	**62,694**	**20,106**	42,588	**43,701**	**44,925**	(1,224)
Adjustment for errors	**-**	**144**	(144)	**-**	**-**	-	**-**	**-**	-	**-**	**144**	(144)
Adjusted opening balance	**(26,432)**	**16,774**	(43,206)	**7,439**	**8,189**	(750)	**62,694**	**20,106**	42,588	**43,701**	**45,069**	(1,368)
Comprehensive income												
Surplus (Deficit) for the year	**(318)**	**(5,511)**	5,193	**-**	**-**	-	**-**	**-**	-	**(318)**	**(5,511)**	5,193
Other comprehensive income	**-**	**-**	-	**-**	**-**	-	**-**	**-**	-	**-**	**-**	-
Total comprehensive income	**(318)**	**(5,511)**	5,193	**-**	**-**	-	**-**	**-**	-	**(318)**	**(5,511)**	5,193
Transactions with owners												
Contributions by owners												
Equity injection - Appropriation	**-**	**-**	-	**-**	**-**	-	**150**	**150**	-	**150**	**150**	-
Departmental capital budget	**-**	**-**	-	**-**	**-**	-	**3,579**	**3,579**	-	**3,579**	**3,579**	-
Other	**-**	**(534)**	534	**-**	**-**	-	**-**	**-**	-	**-**	**(534)**	534
Total transactions with owners	**-**	**(534)**	534	**-**	**-**	-	**3,729**	**3,729**	-	**3,729**	**3,195**	534
Transfers between equity components	**-**	**-**	-	**-**	**-**	-	**-**	**-**	-			-
Closing balance as at 30 June	**(26,750)**	**10,729**	(37,479)	**7,439**	**8,189**	(750)	**66,423**	**23,835**	42,588	**47,112**	**42,753**	4,359

The above statement should be read in conjunction with note 8.2B

Cash Flow Statement
for the peroid ended 30 June 2017

	Actual	Budget estimate Original[1]	Variance[2]
	2017	**2017**	2017
	$'000	**$'000**	$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government[7]	**116,356**	**102,858**	13,498
Sales of goods and rendering of services	**6,009**	**4,636**	1,373
Net GST received	**3,362**	**392**	2,970
Other	**1,404**	**481**	923
Total cash received	**127,131**	**108,367**	18,764
Cash used			
Employees[7]	**73,011**	**69,946**	3,065
Suppliers[7]	**43,029**	**38,359**	4,670
Grants[7]	**3,673**	**-**	3,673
Section 74 receipts transferred to Official Public Account[8]	**6,261**	**-**	6,261
Other	**-**	**62**	(62)
Total cash used	**125,974**	**108,367**	17,607
Net cash from operating activities	**1,157**	**-**	1,157
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	**20**	**-**	20
Total cash received	**20**	**-**	20
Cash used			
Purchase of buildings	**771**	**819**	(48)
Purchase of property, plant and equipment	**2,502**	**2,074**	428
Purchase of intangibles	**1,351**	**836**	515
Total cash used	**4,624**	**3,729**	895
Net cash (used by) from investing activities	**(4,604)**	**(3,729)**	(875)
FINANCING ACTIVITIES			
Cash received			
Departmental Capital Budget	**4,341**	**3,729**	612
Net transfer from the OPA	**2,186**	**-**	2,186
Total cash received	**6,527**	**3,729**	2,798
Cash used			-
Transfer special account balance	**1,741**	**-**	1,741
Total cash used	**1,741**	**-**	1,741
Net cash from financing activities	**4,786**	**3,729**	1,057
Net increase in cash held	**1,339**	**-**	1,339
Cash and cash equivalents at the beginning of the reporting period	**2,059**	**1,513**	546
Cash and cash equivalents at the end of the reporting period	**3,398**	**1,513**	1,885

The above statement should be read in conjunction with note 8.2B

8.2B: Departmental Major Budget Variances

Explanations of major variances

Statement of Comprehensive Income

[1] The variance mainly reflects departmental grant payments and a contribution payment to the Public Interest Telecommunications Services special account which were classified as supplier payments in the Portfolio Budget Statements.

[2] The variance reflects the additional funding the Department received for legal costs as a part of the Portfolio Additional Estimates process in 2016-17.

[3] The variance primarily reflects the accounting adjustment to realign the lease arrangement at 38 Sydney Avenue, Canberra to end in November 2017.

Statement of Financial Position

[4] The variance mainly reflects the timing of invoice processing which resulted in lower than expected payables for 2016-17.

[5] The budget was corrected in the Portfolio Additional Estimates to bring the 2016-17 equity opening balance in line with the 2015-16 Actuals.

Statement of Changes in Equity

[6] The budget was corrected in the Portfolio Additional Estimates to bring the 2016-17 equity opening balance in line with the 2015-16 Actuals.

Cash Flow Statement

[7] Greater than budgeted cash receipts from government reflects the additional funding the Department received from the Portfolio Additional Estimates and the timing of payment processing.

[8] The variance relates to sale of goods and rendering of services receipts returned to the Official Public Account which was not reported in the Portfolio Budget Statements.

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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8.2C: Administered Budgetary Reports

Administered Schedule of Comprehensive Income
for the year ended 30 June 2017

		Budget estimate	
	Actual	**Original**	Variance
	2017	**2017**	2017
	$'000	**$'000**	$'000
NET COST OF SERVICES			
Expenses			
Suppliers[1]	**355,723**	**363,563**	(7,840)
Grants[2]	**294,080**	**325,899**	(31,819)
Depreciation and amortisation	**9,855**	**9,619**	236
Payments to corporate Commonwealth Entities[3]	**1,735,754**	**1,713,150**	22,604
Other expenses[1]	**7,503**	**30,300**	(22,797)
Total expenses	**2,402,915**	**2,442,531**	(39,616)
Income			
Revenue			
Non-taxation revenue			
Sales of goods and rendering of services	**4,294**	**-**	4,294
Interest	**2,560**	**2,792**	(232)
Dividends[4]	**50,100**	**11,000**	39,100
Rental income	**4,539**	**1,529**	3,010
Other revenue	**6,173**	**3,829**	2,344
Total Non-taxation revenue	**67,666**	**19,150**	48,516
Total income	**67,666**	**19,150**	48,516
Net cost of services	**(2,335,249)**	**(2,423,381)**	88,132
Deficit	**(2,335,249)**	**(2,423,381)**	88,132
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**(1,411)**	**-**	(1,411)
Items subject to subsequent reclassification to net cost of services			
Losses on available for sale financial assets	**(3,993,587)**	**-**	(3,993,587)
Total other comprehensive loss	**(3,994,998)**	**-**	(3,994,998)
Total comprehensive loss	**(6,330,247)**	**(2,423,381)**	(3,906,866)

The above statement should be read in conjunction with note 8.2D

Department of Communications and the Arts
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Administered Schedule of Assets and Liabilities
as at 30 June 2017

		Budget estimate	
	Actual	**Original**	Variance
	2017	**2017**	2017
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and Cash Equivalents[5]	**26,711**	**-**	26,711
Trade and other receivables	**105,778**	**100,405**	5,373
Other investments[6]	**29,293,211**	**33,102,539**	(3,809,328)
Other financial assets	**20**	**-**	20
Total financial assets	**29,425,720**	**33,202,944**	(3,777,224)
Non-financial assets			
Buildings	**58,110**	**53,504**	4,606
Property, plant and equipment	**156,135**	**156,454**	(319)
Other non-financial assets	**2,875**	**4,022**	(1,147)
Total non-financial assets	**217,120**	**213,980**	3,140
Total assets administered on behalf of Government	**29,642,840**	**33,416,924**	(3,774,084)
LIABILITIES			
Payables			
Suppliers	**335,349**	**328,900**	6,449
Grants	**39,452**	**-**	39,452
Other payables	**21,376**	**18,029**	3,347
Total payables	**396,177**	**346,929**	49,248
Total liabilities administered on behalf of Government	**396,177**	**346,929**	49,248
Net assets	**29,246,663**	**33,069,995**	(3,823,332)

The above statement should be read in conjunction with note 8.2D

8.2D: Administered Major Budgetary Variances

Explanations of major variances

Administered Schedule of Comprehensive Income

[1] The budget was realigned in the 2016-17 Portfolio Additional Estimates with $22.5 million transferred to suppliers. The adjusted suppliers of $30.3 million is mainly due to the Public Interest Telecommunications special account's funding requirements being lower than expected.

[2] The variance mainly relates to the movement of funds into the forward years for the Mobile Black Spot program.

[3] The variance represents the Government's various decisions on amounts to be appropriated to each of the corporate Commonwealth entities including the impact of Old Parliament House changing status from a non-corporate Commonwealth entity to corporate Commonwealth entity on 1 July 2016.

[4] The variance is as a result of the updated Australia Post projections from April 2017 through to 2019-20 as agreed to in late April 2017 by the Shareholder Ministers. An increase of $20 million was reflected in the 2016-17 Portfolio Additional Estimates.

Administered Schedule of Assets and Liabilities

[5] The cash and cash equivalents amount relates to the funds held in the Official Public Account for special accounts which are recognised for the first time in 2016-17 in accordance with the changes made to section 48 (7) of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

[6] The variance primarily relates to changes in the net assets position of all entities as at 30 June 2017 and the recognition of $93.6 million opening net asset position of Old Parliament House due to the change in status from a non-corporate Commonwealth entity to corporate Commonwealth entity.

[7] The budget was realigned in the 2016-17 Portfolio Additional Estimates with $15.5 million transferred to grants payable. The variance mainly relates to the accrual for the Mobile Black Spot program with the grants payable amount driven by actual activities of the program during the year.

SECTION 05
APPENDICES

The appendices contain supplementary information on public interest contracts and grants; agency resource statement and expenses for outcome; legislation and statutory instruments; staff statistics; and advertising and market research.

Appendix 1: Public interest contracts and grants—performance of recipients **152**

Appendix 2: Agency resource statement and expenses for outcome **153**

Appendix 3: Legislation and statutory instruments **160**

Appendix 4: Staff statistics **162**

Appendix 5: Advertising and market research **165**

APPENDIX 1: PUBLIC INTEREST CONTRACTS AND GRANTS—PERFORMANCE OF RECIPIENTS

During 2016–17, we administered contracts for the delivery of the following public interest telecommunications services:

- Universal Service Obligation Standard Telephone Services and Payphones
- Emergency Call Services
- Voice-Only Migration related services
- National Relay Services (and Associated Outreach Services).

Each contract that we administered included obligations to submit reports to allow us to assess compliance of the providers with contractual requirements.

All reporting and contractual obligations were met.

The 2012–17 funding deed with the Australian Communications Consumer Action Network (ACCAN) expired on 30 May 2017. After conducting a review of the effectiveness of section 593 of the *Telecommunications Act 1997*, the Department entered into a new funding agreement with ACCAN on 8 June 2017. The new agreement will expire on 31 May 2022.

Table 5.1 Public interest telecommunications services contractual details

Service	Contractor	Value (2016–17)	Duration	Deliverables achieved
Universal Service Obligation—Standard Telephone Service	Telstra	$253 million (including GST)	1/7/2012–1/7/2032	Yes
Universal Service Obligation—Payphones	Telstra	$44 million (including GST)	1/7/2012–1/7/2032	Yes
Emergency Call Service	Telstra	$16.3 million (including GST)	1/7/2012–1/7/2032	Yes
Voice-Only Migration	Telstra	The estimated total amount to be paid under these arrangements is up to a maximum of $150 million over 10 years (excluding GST)	1/7/2012 until the conclusion of the National Broadband Network rollout	Yes
National Relay Service—Relay Service	Australian Communication Exchange Ltd (ACE)	$27.9 million (including GST)	25/1/2013–30/6/2018	Yes
National Relay Service—Outreach Service	CFW Spice Pty Ltd (WestWood Spice)	$4.3 million (including GST)	25/1/2013–30/6/2018	Yes

APPENDIX 2: AGENCY RESOURCE STATEMENT AND EXPENSES FOR OUTCOME

Table 5.2 Agency resource statement, 2016–17

		Actual available appropriation for 2016–17 $'000	Payments made 2016–17 $'000	Balance remaining 2016–17 $'000
		(a)	(b)	(a) – (b)
Ordinary Annual Services[1]				
Prior year Departmental appropriation		23,230	21,149	2,081
Departmental appropriation		108,851	92,878	15,973
Departmental Capital Budget[2]		3,579	409	3,170
s74 Relevant agency receipts		6,261	6,261	–
Total		**141,921**	**120,697**	**21,224**
Administered expenses				
Outcome 1				
Prior year Administered appropriation		29,141	13,027	
Adminstered appropriation		213,169	140,894	
Payments to non-corporate entities		1,317,688	1,317,688	
Outcome 2				
Prior year Administered appropriation		1,001	406	
Adminstered appropriation		243,554	239,122	
Adminstered Capital Budget[2]		1,649	1,649	
Payments to non-corporate entities		418,066	418,066	
Total		**2,224,268**	**2,130,852**	
Total ordinary annual services	A	**2,366,189**	**2,251,549**	

		Actual available appropriation for 2016–17 $'000	Payments made 2016–17 $'000	Balance remaining 2016–17 $'000
		(a)	(b)	(a) – (b)
Departmental non-operating				
Equity injections		150	–	150
Total		**150**	**–**	**150**
Administered non-operating				
Prior year administered appropriations		898,908	898,908	–
Administered assets and liabilities		8,325,647	6,291,092	2,034,555
Administered assets and liabilities payments to corporate Commonwealth entities		90	90	
Payments to non-corporate entities—non-operating		34,656	34,656	
Total		**9,259,301**	**7,224,746**	
Total other services	**B**	**9,259,451**	**7,224,746**	
Total available annual appropriations and payments		**11,625,640**	**9,476,295**	
Special Appropriations				
Public Governance, Performance and Accountability Act 2013—s77 (Refund Provision)		100	51	
Total Special Appropriations	**C**	**100**	**51**	**49**

		Actual available appropriation for 2016–17 $'000	Payments made 2016–17 $'000	Balance remaining 2016–17 $'000
		(a)	(b)	(a) – (b)
Special Accounts				
Opening balance		37,674		
Appropriation receipts		100,400		
Non-appropriation receipts to Special Accounts		225,336		
Payments made			333,968	
Total Special Account	**D**	**363,410**	**333,968**	**29,442**
Total resourcing and payments				
A+B+C+D		**11,989,150**	**9,810,314**	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or non-corporate entities through annual appropriations		(11,095,455)	(8,960,500)	
Total net resourcing and payments for DBCDE		**893,695**	**849,814**	

1 Appropriation Act (No. 1) 2016–17 and Appropriation Act (No. 3) 2016–17. This also include prior-year departmental appropriation, Section 75 Transfers and Section 74 retained revenue receipts.

2 For accounting purposes, this amount has been designated as 'contributions by owners'.

Table 5.3 Expenses for Outcome 1

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services.

	Estimated actual 2016–17 $'000	Actual expenses 2016–17 $'000	Variation 2016–17 $'000
	(a)	(b)	(a) – (b)
Programme 1.1: Digital Technologies and Communications Services			
Administered expenses			
Ordinary annual services (*Appropriation Act No. 1 and Act No. 3*)	75,804	85,887	(10,083)
Special appropriations	–	51	(51)
Special Accounts	362,200	323,916	38,284
Payments to corporate entities	1,317,688	1,317,688	–
Expenses not requiring appropriation in the Budget year	12,435	13,091	(656)
Departmental expenses			
Departmental appropriation[1]	87,646	84,635	3,011
Special Accounts	4,002	4,002	–
Expenses not requiring appropriation in the Budget year (a)	5,680	5,047	633
Total for Programme 1.1	**1,865,455**	**1,834,317**	**31,138**

	Estimated actual 2016–17 $'000	Actual expenses 2016–17 $'000	Variation 2016–17 $'000
	(a)	(b)	(a) – (b)
Outcome 1 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	75,804	85,887	(10,083)
Special appropriations	–	51	(51)
Special accounts	362,200	323,916	38,284
Payments to corporate entities	1,317,688	1,317,688	–
Expenses not requiring appropriation in the Budget year	12,435	13,091	(656)
Departmental expenses			
Departmental appropriation[1]	87,646	84,635	3,011
Special Accounts	4,002	4,002	–
Expenses not requiring appropriation in the Budget year	5,680	5,047	633
Total expenses for Outcome 1	**1,865,455**	**1,834,317**	**31,138**
	2016–17	**2016–17**	
Average staffing level (number)	401	398	3

1 Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Table 5.4 Expenses for Outcome 2

Outcome 2: Participation in, and access to, Australia's arts and culture, through developing and supporting cultural expression.

	Estimated actual 2016–17 $'000	Actual expenses 2016–17 $'000	Variation 2016–17 $'000
	(a)	(b)	(a) – (b)
Programme 2.1: Arts and Cultural Development			
Administered expenses			
Ordinary annual services (*Appropriation Act No. 1 and Act No. 3*)	241,737	241,970	(233)
Special appropriations	–	–	–
Special Accounts	500	500	–
Payments to corporate entities	439,160	418,066	21,094
Expenses not requiring appropriation in the Budget year	1,586	1,746	(160)
Departmental expenses			
Departmental appropriation[1]	12,105	15,769	(3,664)
Special Accounts	5,646	5,550	96
Expenses not requiring appropriation in the Budget year	4,759	313	4,446
Total for Programme 2.1	**705,493**	**683,914**	**21,579**

	Estimated actual 2016–17 $'000	Actual expenses 2016–17 $'000	Variation 2016–17 $'000
	(a)	(b)	(a) – (b)
Outcome 2 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	241,737	241,970	(233)
Special appropriations	–	–	–
Special accounts	500	500	–
Payments to corporate entities	439,160	418,066	21,094
Expenses not requiring appropriation in the Budget year	1,586	1,746	(160)
Departmental expenses			
Departmental appropriation[1]	12,105	15,769	(3,664)
Special accounts	5,646	5,550	96
Expenses not requiring appropriation in the budget year	4,759	313	4,446
Total expenses for Outcome 2	**705,493**	**683,914**	**21,579**
	2016–17	**2016–17**	**2016–17**
Average staffing level (number)	144	143	1

1 Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

APPENDIX 3: LEGISLATION AND STATUTORY INSTRUMENTS

Infrastructure

Carrier Licence Conditions (Network supplying Superfast Carriage Services to Residential Customers) Declaration 2014 (Amendment No. 1 of 2016)

Radiocommunications (Duration of Community Television Transmitter Licences) Determination (No. 1) of 2008 (Amendment No. 1 of 2016)

Radiocommunications (Duration of Community Television Transmitter Licences) Determination (No. 1) of 2008 (Amendment No. 1 of 2017)

Radiocommunications (Spectrum Designation—2 GHz and 3.4 GHz Bands) Notice 2017

Radiocommunications (Spectrum Licence Allocation—Residual 700 MHz Spectrum) Direction 2016

Telecommunications (Carrier Licence Charges) Act 1997—Determination Under Paragraph 15(1)(d) of 2017

Telecommunications (Fibre-ready Facilities—Exempt Real Estate Development Projects) Instrument 2016

Telecommunications Legislation Amendment (Competition and Consumer) Bill 2017

Telecommunications Universal Service Obligation (Declaration Deferral Period) Declaration 2017

Telecommunications (Regional Broadband Scheme) Charge Bill 2017

Consumer and content

Australian Communications and Media Authority (Annual Carrier Licence Charge) Direction 2017

Broadcasting Legislation Amendment (Broadcasting Reform) Bill 2017

Broadcasting Legislation Amendment (Media Reform) Bill 2016

Broadcasting Legislation Amendment (Television and Radio Licence Fees) Bill 2016

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 8 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 9 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 10 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 11 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 12 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 13 of 2016)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 1 of 2017)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 2 of 2017)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 3 of 2017)

Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 4 of 2017)

Classification (Publications, Films and Computer Games) (Markings and Consumer Advice) Amendment Determination 2017

Commercial Broadcasting (Tax) Bill 2017

Communications Legislation Amendment (Deregulation and Other Measures) Bill 2017

Communications Legislation Amendment (SBS Advertising Flexibility) Bill 2017

Copyright Amendment (Disability Access and Other Measures) Bill 2017

Do Not Call Register Regulations 2017

Enhancing Online Safety for Children Amendment Bill 2017

Enhancing Online Safety (Intimate Images and Other Measures) Legislative Rules 2017

Interactive Gambling Amendment Bill 2016

Parliamentary Proceedings Broadcasting Regulation 2016

Radio Licence Fees Regulations 2017

Television Licence Fees Amendment Regulations 2017

Arts

Australian Film, Television and Radio School (Council Elections) Regulations 2017

Public Lending Right Scheme 2016

Table 5.5 Full-time/part-time/casual, ongoing/non-ongoing, by gender—30 June 2017

Ongoing Full-time Male	Ongoing Full-time Female	Ongoing Part-time Male	Ongoing Part-time Female	Non-ongoing Full-time Male	Non-ongoing Full-time Female	Non-ongoing Part-time Male	Non-ongoing Part-time Female	Non-ongoing Casual Male	Non-ongoing Casual Female	Total
179	246	11	52	8	29	1	3	2	1	532

Note: These figures include staff employed by our Department as at 30 June 2017 and exclude all inoperative staff (inoperative staff are those staff recorded as being on leave without pay as at 30 June 2017 for a total period greater than 13 weeks). These figures include the departmental Secretary.

Table 5.6 Staff by classification groups and location—30 June 2017

State	APS1	APS2	APS3	APS4	APS5	APS6	EL1	EL2	SESB1	SESB2	SESB3	SEC	Location total
ACT	1	1	16	52	56	114	124	55	17	6	3	1	446
NSW		1	3	14	5	16	15	6	1				61
VIC					2	1	1						4
QLD					1		1						2
SA					1	1							2
WA				1	2	4	4	4	1				16
NT						1							1
Classification total	**1**	**2**	**19**	**67**	**67**	**137**	**145**	**65**	**19**	**6**	**3**	**1**	**532**

Note: These figures are based on substantive classifications. Local designations such as Legal and Public Affairs have been subsumed into the equivalent Australian Public Service (APS) or Executive Level (EL) classifications. The departmental Secretary is included. Figures exclude inoperative staff.

Table 5.7 Senior Executive Service (SES) staff—30 June 2017

SES Staff	Female	Male	SES total
SESB1	11	8	19
SESB2	5	1	6
SESB3	1	2	3
Total	**17**	**11**	**28**

Note: These figures reflect substantive occupancy and exclude inoperative staff.

Table 5.8 Staff in equal employment opportunity (EEO) groups—30 June 2017

Male	Female	Total staff 1	ATSI	CALD	PWD	Total staff 2
201	331	532	19	58	11	88
37.8%	62.2%	100%	3.6%	10.9%	2.1%	16.6%

Key to Table 5.8

Total staff 1: Ongoing and non-ongoing staff based on their substantive classification as at 30 June 2017.

Total staff 2: Total number of staff who chose to provide EEO information and this may include 'no' responses to some questions.

ATSI: Staff who reported they identify as Aboriginal or Torres Strait Islander.

CALD: Staff who reported they are from culturally and linguistically diverse backgrounds.

PWD: Staff who reported they have a disability.

These figures exclude inoperative staff.

Table 5.9 Salary range of employees 2016–17

Classification	Enterprise Agreement Salary Range ($) Lowest	Enterprise Agreement Salary Range ($) Highest	Individual Arrangements* Salary Range ($) Lowest	Individual Arrangements* Salary Range ($) Highest
APS1	44,750	49,142	–	–
APS2	50,346	55,803	–	–
APS3	57,257	61,860	–	–
APS4	64,177	69,702	72,360	72,360
APS5	71,550	78,357	79,937	80,647
APS6	78,897	97,137	89,518	116,949
EL1	102,129	127,349	116,706	127,439
EL2	118,480	152,523	142,945	154,051
SES	–	–	168,300	326,400

Note: Part-time salaries have been annualised to full-time for comparison. Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels. These figures exclude inoperative staff.

* Includes individual flexibility arrangements and section 24(1) determinations and supplementary arrangements.

Performance payments 2015–16, paid in 2016–17

No performance payments were made in 2016–17. This Department ceased payment of performance pay to SES and EL staff on implementation of the *Department of Communications Enterprise Agreement 2015–2017* in August 2015.

APPENDIX 5: ADVERTISING AND MARKET RESEARCH

In the 2016–17 financial year, the Department paid a total of $0.00 GST exclusive to:

Table 5.10 Advertising agencies

Organisation name	Purpose	Amount of payment (ex GST)
Total advertising agencies	N/A	0.00

Table 5.11 Market research organisations

Organisation name	Purpose	Amount of payment (ex GST)
Total market research organisations	N/A	0.00

Table 5.12 Media advertising organisations

Organisation name	Purpose	Amount of payment (ex GST)
Total media advertising	N/A	0.00

During 2016–17, the Department did not conduct any advertising campaigns.

SECTION 06
REFERENCE INFORMATION

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ABBREVIATIONS AND ACRONYMS

ABC	Australian Broadcasting Corporation
ACMA	Australian Communications and Media Authority
ADSL	asymmetric digital subscriber line
AFTRS	Australian Film, Television and Radio School
ANAO	Australian National Audit Office
ANMM	Australian National Maritime Museum
APS	Australian Public Service
BCAR	Bureau of Communications and Arts Research
CALD	culturally and linguistically diverse
CEO	Chief Executive Officer
EL	Executive Level
ELT	Executive Leadership Team
FOI	freedom of information
GEN	Gender Equality Network
GHz	gigahertz
GST	goods and services tax
ICT	information and communications technology
Mbps	megabits per second
MHz	megahertz
MOAD	Museum of Australian Democracy at Old Parliament House
NBN	National Broadband Network
NCI	National Collecting Institution
NFSA	National Film and Sound Archive of Australia
NGA	National Gallery of Australia
NICA	National Institute of Circus Arts
NIDA	National Institute of Dramatic Art
NLA	National Library of Australia
NMA	National Museum of Australia
NPGA	National Portrait Gallery of Australia
PBS	Portfolio Budget Statements
PGPA	Public Governance, Performance and Accountability
PwC	PricewaterhouseCoopers
SBS	Special Broadcasting Service Corporation
SES	Senior Executive Service

GLOSSARY OF TERMS

Carrier	Holder of a carrier licence.
Classification Board	The body established under the *Classification (Publications, Films and Computer Games) Act 1995* that classifies films, computer games and publications for exhibition, sale or hire in Australia.
Data analysis	The science of examining raw data with the purpose of drawing conclusions about that information.
Digital Service Standard	A standard that ensures digital teams build government services that are simpler, clearer and faster for all users. All services within the scope of the Digital Service Standard must work to meet the standard. Services are assessed if design or redesign commenced after 6 May 2016.
Emergency Call Service	A call service that includes: • Triple Zero (000), the number most Australians will use to call the police, fire or ambulance in an emergency • 112—the international standard emergency number, which can be called from a GSM (Global System for Mobile Communications) type mobile • 106—the text-based emergency number for people who are deaf, or have a hearing or speech impairment, which can be called from a TTY (teletypewriter).
Enterprise Agreement	A written agreement about working conditions and wages made between an employer and its employees.
Fixed-line	Network in which voice, data or broadband services are delivered over a physical line.
govCMS platform	A product provided by the Department of Finance that gives APS agencies the tools to build, migrate and manage websites. govCMS includes the Drupal-based content management system (CMS) and accompanying website hosting service. A CMS is software that's used to create and manage digital information.
Mobile black spot	A location with poor or non-existent mobile coverage.
National Classification Scheme	A cooperative arrangement between the Australian Government and state and territory governments under which the Classification Board classifies films, computer games and certain publications.
NBN Co Ltd (NBN Co)	The company established by the Government to build and operate the NBN.

Non-ongoing employee	A person engaged as an APS employee under subsection 22(2)(b) or 22(2)(c) of the *Public Service Act 1999*.
Ongoing employee	A person engaged as an ongoing APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.
Spectrum	The span of electromagnetic frequencies used in communications systems.
Universal service obligation	The obligation placed on universal service providers to ensure that all people in Australia, wherever they reside or carry on business, have reasonable access, on an equitable basis, to standard telephone services, including payphones.
Voice-only migration related services	A program to support the continuity of supply of carriage services during transition to the NBN.

COMPLIANCE INDEX

PGPA Rule reference	Part of report	Description	Requirement
17AD(g)	**Letter of transmittal**		
17AI	iii	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	**Aids to access**		
17AJ(a)	v	Table of contents.	Mandatory
17AJ(b)	177	Alphabetical index.	Mandatory
17AJ(c)	168, 169	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	171	List of requirements.	Mandatory
17AJ(e)	ii	Details of contact officer.	Mandatory
17AJ(f)	ii	Entity's website address.	Mandatory
17AJ(g)	ii	Electronic address of report.	Mandatory
17AD(a)	**Review by accountable authority**		
17AD(a)	2–5	A review by the accountable authority of the entity.	Mandatory
17AD(b)	**Overview of the entity**		
17AE(1)(a)(i)	6–10	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	7–10	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	7, 19	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	6, 19	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(b)	10–14	An outline of the structure of the portfolio of the entity.	Portfolio departments—mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory
17AD(c)	**Report on the performance of the entity**		
	Annual Performance Statements		
17AD(c)(i); 16F	17–54	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	***Report on Financial Performance***		
17AF(1)(a)	75–77	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	153–159	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory
17AD(d)	**Management and Accountability**		
	Corporate Governance		
17AG(2)(a)	58	Information on compliance with section 10 (fraud systems).	Mandatory
17AG(2)(b)(i)	iii, 58, 59	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	iii, 58, 59	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AG(2)(b)(iii)	iii, 58, 59	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	58–65	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d)–(e)	58	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory
	External Scrutiny		
17AG(3)	60	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	60	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory
17AG(3)(b)	60–62	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory
17AG(3)(c)	N/A	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory
	Management of Human Resources		
17AG(4)(a)	50–53, 66–74	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(b)	162–163	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: • Statistics on staffing classification level; • Statistics on full-time employees; • Statistics on part-time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AG(4)(c)	74	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory
17AG(4)(c)(i)	74	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	164	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	74	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	164	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	N/A	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	N/A	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory
17AG(4)(d)(iv)	N/A	Information on aggregate amount of performance payments.	If applicable, mandatory
	Assets Management		
17AG(5)	75	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
	Purchasing		
17AG(6)	78	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
	Consultants		
17AG(7)(a)	78	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AG(7)(b)	78	A statement that "*During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of $[specified million].*"	Mandatory
17AG(7)(c)	78	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	78	A statement that "*Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.*"	Mandatory
	Australian National Audit Office Access Clauses		
17AG(8)	79	If an entity entered into a contract with a value of more than $100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory
	Exempt contracts		
17AG(9)	79	If an entity entered into a contract or there is a standing offer with a value greater than $10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory
	Small business		
17AG(10)(a)	79	A statement that "*[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.*"	Mandatory
17AG(10)(b)	79	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory

PGPA Rule reference	Part of report	Description	Requirement
17AG(10)(c)	79	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "*[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.*"	If applicable, mandatory
	Financial Statements		
17AD(e)	81–148	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
17AD(f)	***Other Mandatory Information***		
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that "*During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.*"	If applicable, mandatory
17AH(1)(a)(ii)	165	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory
17AH(1)(b)	79	A statement that "*Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].*"	If applicable, mandatory
17AH(1)(c)	72	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	60–61	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	N/A	Correction of material errors in previous annual report.	If applicable, mandatory
17AH(2)	65, 152	Information required by other legislation.	Mandatory

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